Nation's Business

USEFUL LOOK AHEAD MARCH 1958

[redacted]

WHAT TO DO NOW

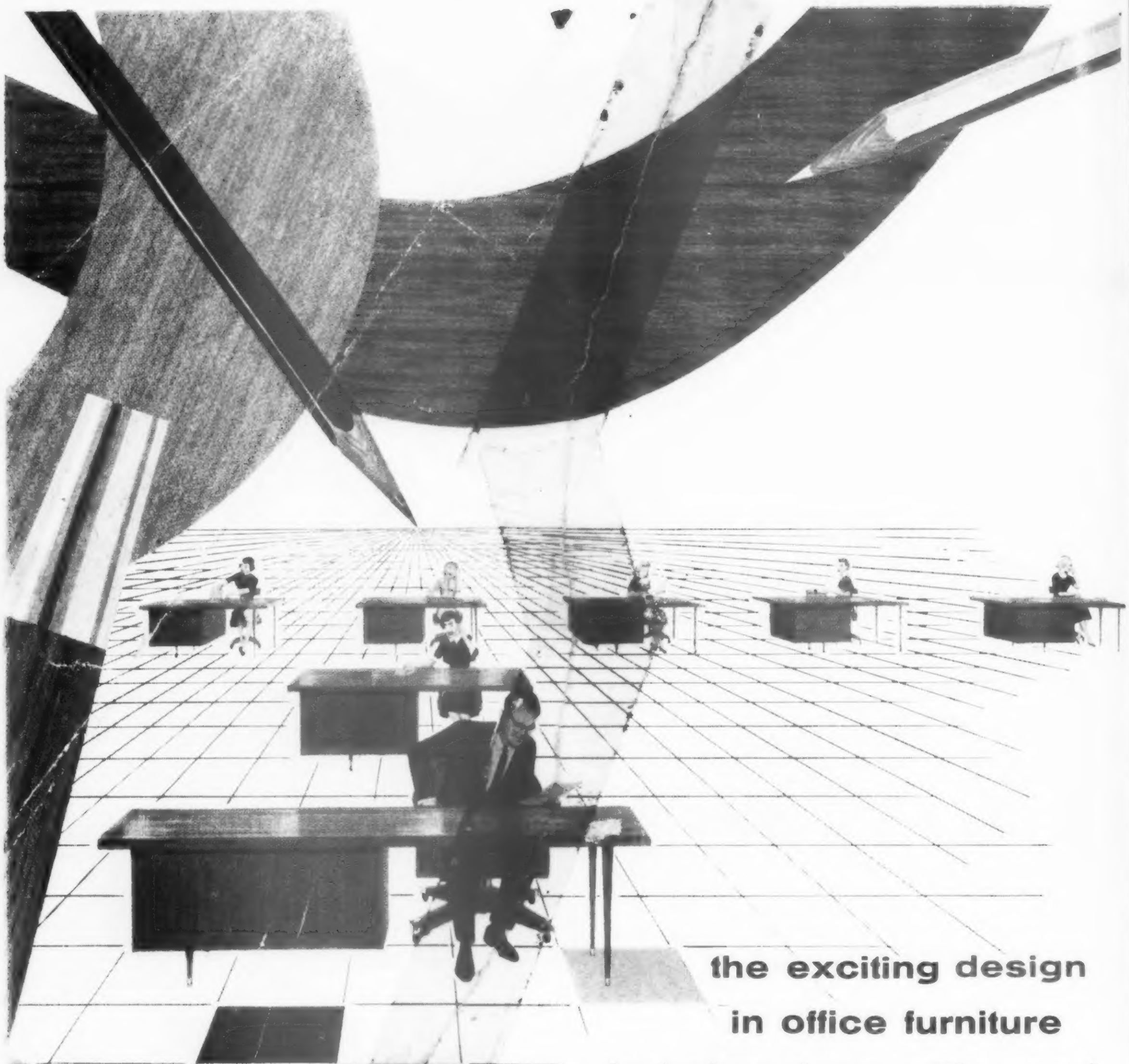
TO BE READY FOR UPTURN

PAGE 36

Outlook for recovery: Exclusive interview with the Secretary of the Treasury PAGE 31

Congress looks at tax reduction PAGE 40

How to make tomorrow's sal



Victor M. Goldberg, president of Hoosier Tarpaulin & Canvas Goods Co., Inc., Indianapolis

Telephone brings in $150,000 a month in out-of-town orders

Tarpaulin manufacturer invites customers to call collect

"We became aware that some customers were telephoning in their orders to cut delivery time," says Mr. Goldberg. "So we began to advertise, 'Telephone Hoosier COLLECT and your order will be shipped today.' "

Hoosier now averages $150,000 a month in orders called in from all parts of the country—more than half its total monthly business. Every dollar spent on telephone calls brings in $150 in sales.

"It's a wonderful investment!" says Mr. Goldberg.

Are your customers calling you collect?

LONG DISTANCE RATES ARE LOW

Daytime Station-to-Station Calls

For example:	First 3 Minutes	Each Added Minute
Indianapolis to St. Louis	85¢	25¢
Pittsburgh to Syracuse	95¢	25¢
Milwaukee to Des Moines	$1.00	25¢
Los Angeles to Oklahoma City	$1.90	50¢
Chicago to Seattle	$2.20	55¢

Add 10% Federal Excise Tax

BELL TELEPHONE SYSTEM

Call by Number. It's Twice as Fast.

Nation's Business

March 1958 Vol. 46 No. 3
Published by the Chamber of Commerce of the United States
Washington, D.C.

---

7 **Management's Washington letter**

Outlook for jobs; pockets of unemployment compared to '54; salesmen run harder to boost volume, business costs rising

10 **Letters from businessmen**

Executives find article on development of ideas useful but also deliver some criticism on perspective and dimensions

16 WATCH THIS ISSUE: **Right-to-work fight spreads**

Drive against forced union membership will be put to vote in many states; new developments in Congress and courts

23 TRENDS: **The state of the nation**

There's a way to measure whether or not a nation is first class; it has nothing at all to do with how much it spends

27 TRENDS: **Washington mood**

Economics and the state of business have pushed satellites aside as topic of conversation. What the President believes

31 **Outlook for recovery**

In an exclusive interview, the Secretary of the Treasury discusses prospects for the economy, other major issues

34 **How to get more from research**

Suggestions you can use for better immediate results come from studies into attitudes and drives of technical people

36 **Be ready for the upturn**

Companies that give consideration to these factors will be in a better position to profit when business starts back up

38 **How to make tomorrow's sales**

A prominent marketing executive looks ahead to the future of selling, tells how needs of his profession are changing

40 **How Congress looks at tax cuts**

Business testimony on the effect of the present rates has made an impression. Here is what you can expect to happen

42 **HOW'S BUSINESS: Today's outlook**

Construction unsteady; strength in distribution; farmers rely more on other suppliers; latest economic indicators

52 **Management may be your best collateral**

A new trend is showing up in lending circles: Bankers now study more than physical assets of business. Here's why

56 **Why labor laws need changes**

Former government official reveals in this interview how conflicts and rulings affect wage costs, union relations

70 **Expanding markets: The young adults**

Changing population means changing business. Analysis projects spending, employment, mobility of 18-24 year olds

86 **How to let go of authority**

The tricky task of letting go of authority gets examined. Two essential requirements necessary to make it effective

92 **U. S. budget method multiplies cost**

These modern, businesslike methods could help Uncle Sam find out what government should cost and save tax money

100 **EXECUTIVE TRENDS: Outlook for jobs**

Short-sighted action now could leave business dangerously short of management men by 1960. Here are guidelines

102 **Make criticism work for you**

Educator and consultant to business firms discusses one of the most important elements in effective supervision

106 **Let's worry about the right things**

The success of the Army's satellite makes some of our concern hysterical. Other matters could cause us real difficulty

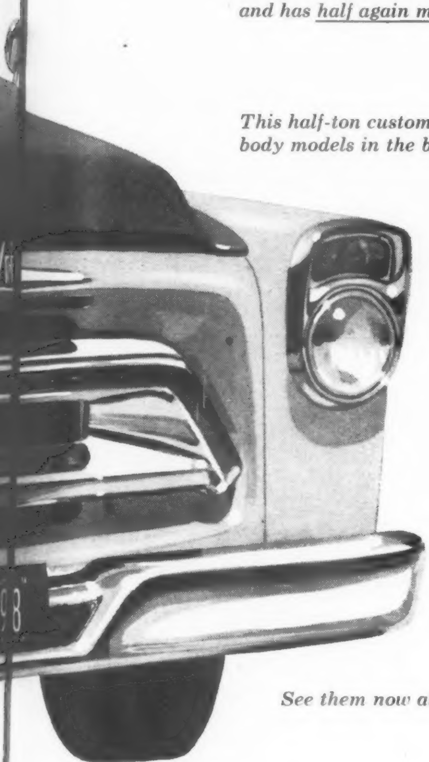
Nation's Business is published monthly at 1615 H St. N.W., Washington 6, D.C. Subscription price $18 for three years. Printed in U.S.A. Entered as second-class matter March 20, 1920, at the post office at Washington, D. C. Nation's Business is available by subscription only.

International is a one-word promise that a truck can do its job. A promise kept for 51 years. Now, in fast-moving 1958, International also means a fresh, original expression of *color, style, power,* and *comfort* you have to see in person to believe.

INTERNATIONAL TRUCKS co

The International Travelall® rides eight adults comfortably, and has half again more load space than any other "wagon."

This half-ton custom pickup is only one of 10 pickup body models in the broad International Truck line.



See them now at your International Dealer's.

cost least to own!

NO OTHER TRUCKS

LINE UP...

MEASURE UP...

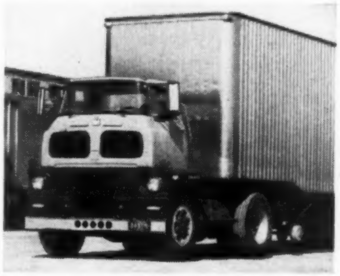
STAND UP...

LIKE INTERNATIONALS

* Most complete line to choose from. More models, more power choices, more load-carrying variations, more "tailored-for-you" features than any other make.

* Professional truck operators, who must have superb quality and who measure costs to the penny, have made INTERNATIONAL Trucks first in heavy-duty sales for 26 straight years.

* Every INTERNATIONAL Truck part is designed for the rough usage trucks get . . . designed to do a truck's job. It's truck quality, pure and simple, that keeps an INTERNATIONAL going—longer—at least cost to you.



News for cross-country haulers! New INTERNATIONAL Sightliner measures only 48 inches from bumper to back of cab. It's the shortest tilt-cab model available. Gives 10% more payload capacity. Hauls up to 224 cu. ft. more legal payload, more than any truck in its weight class.

®

INTERNATIONAL HARVESTER COMPANY, CHICAGO
Motor Trucks • Crawler Tractors
Construction Equipment • McCormick®
Farm Equipment and Farmall® Tractors

management's WASHINGTON LETTER

▶WASHINGTON THINKS job outlook will brighten soon.

That's view not shared by all.

With 1 out of 15 persons in work force jobless, top government analysts tell NATION'S BUSINESS they believe worst is past--or soon will be.

(Year ago: 1 in 20.)

Their feeling's this:

At next counting, number jobless will show another rise, then taper off.

▶BUSINESS DOWNTURN works 2 ways on government finance.

1. Means less money coming in.

Treasury expects to collect $38.5 billion personal income tax in coming year...is more likely to get less.

Government's counting on corporations to pay $20.4 billion tax, but probably won't get that much.

2. Means more money going out...on jobless benefits program.

Administration estimates it needs $33 million emergency fund to administer benefits program, another $43.4 million to pay out-of-work government workers and veterans.

▶TWO OUT OF THREE unemployed persons still have income.

Year ago insured portion was 56 per cent.

Now it's 65.

Item: By July unemployment pay is expected to reach $1.6 billion--up from $951 million in first half last year.

▶POCKETS OF UNEMPLOYMENT still haven't reached previous postwar peaks.

But they could this month.

Bureau of Employment Security names 45 major labor surplus areas--rise from 19 a year ago.

Peak was 53--in 1954.

Small cities with employment distress number 72. Compares with 57 year ago.

Note: Some areas are chronic distress areas, not necessarily significant as indicators of national business downturn.

Even in boom '56, agency listed 19 major distress areas.

▶BILL COLLECTORS LOOK for easier times ahead--for them.

Reason: They don't expect to have to work so hard collecting past due bills from Americans in months ahead.

View's by American Collectors Association which gauges difficulty of collecting overdue bills.

Collectibility index--falling steadily though not precipitously for about 10 months--may have reached bottom.

Year ago 2,005 member agencies were handling $75 million overdue accounts monthly.

Now they're servicing $80 million.

▶MORE UNIONS are moving into closer range of central government.

In Washington--

1 block from White House--AFL-CIO planning $1 million addition to new headquarters building.

2 blocks from White House--Hod Carriers putting up new building.

3 blocks from White House--Bakery Workers completing new building.

4 blocks from White House--Electrical Workers occupying new headquarters.

Near Capitol Building--railroad unions putting up new building.

Other new buildings:

Letter Carriers, Machinists, Operating Engineers, Street Car, Bus Operators.

Score till now:

More than 50 of 189 national unions have headquarters in Washington, many in new buildings.

Since unions' building boom started in the capital ('52) they've invested $30 million in new buildings.

▶WATCH FOR CONGRESS to begin talking more about cracking down on unions.

Legislation?

Maybe. If so, it may come as regulation on pension, welfare funds.

Funds now total about $35 billion, $8 billion being added each year.

About half new money flows into investment channels.

\- - -

Item 1: McClellan rackets committee has $500,000 to continue inquiry.

Item 2: AFL-CIO plans $1 million spending program to counter unfavorable publicity.

▶UNIONS WILL SPEND HEAVILY this year to pack Congress with members they

favor. Effort will pick up steam in months ahead, reach climax before fall elections.

Union powerhouse in capital already is spending millions on its programs of political education, organizing, spreading union economic propaganda.

Here's just part of AFL-CIO expense tab for one year:

Public relations--$753,022.

Publications--$696,094.

Research--$221,295.

Education--$146,491.

Organizing--$152,811.

This represents substantial increase over spending in previous year.

Doesn't cover individual spending by international unions.

▶BUSINESS COSTS keep climbing.

Here's situation in heavy industry company:

Sales 11.4 per cent higher than year ago, costs up 16.8 per cent.

Record for manufacturing firm shows:

Sales up 1.1 per cent, costs up 1.4 per cent, profits down 5.7 per cent.

Grocery company's record:

Sales up 28.5 per cent, cost of doing business up 34.4 per cent, profits down 12.3 per cent.

Item: To earn $1 profit this store year ago sold groceries worth $69.83, now must move $102.20 worth.

Note: Trends, percentages may not be typical for your company--but comparison can be useful in planning.

▶SALESMEN WILL RUN harder this year to keep up last year's pace.

Large auto fleet leasing firm--Emkay, which provides 3,100 cars to U. S. firms for sales force use--says:

Salesmen are driving 20 per cent more than year ago.

Average--headed upward--is 2,419 miles a month, up from 2,006 year ago.

For biggest problems facing selling, look on page 100.

Steps needed to equip sales force for what lies ahead, see page 38.

▶NEXT YEAR Uncle Sam will need thousands of new file cabinets to handle extra papers to be filed with income tax forms.

So will business firms.

Estimated 8 million persons will be required to itemize expenses.

For business firms this'll require:

Stack of paper 15 miles high, 40,000 mile long strip of carbon paper, paper clips by millions.

Business forms manufacturer, devising simplified form for record keeping, says:

Extra copies--200 million--will fill 40,000 file drawers.

▶IN YEAR AHEAD national government plans to spend taxpayers' money at rate of $141,000 a minute--day and night--up from $137,000.

If you stack up $20 bills equal to year's budget spending, U. S. satellite Explorer--at perigee--would brush off top of stack.

Perigee's about 200 miles above earth, satellite's lowest orbital point.

If you stack up $10 bills equal to total federal debt, Explorer--at apogee--would dust off top bill.

Apogee, up almost 1,600 miles, is satellite's highest orbital point.

▶YOU'LL SOON HEAR more about revolutionary new defense systems.

Here's one--closer than most--needed to help guard against surprise missile attack:

Air Force has radar in Massachusetts watching missile launchings in Florida.

Device has 3,000 mile range--many times ordinary radar now in use.

Manufacturer is planning engineering, tooling up for production.

▶GOVERNMENT OUTGO for getting military property ready for sale or salvage is going up, income from sales going down.

In fiscal year ahead--

Air Force, Navy, Army will spend total of $48.8 million for this.

Compares with $43.7 million estimate this year, $36.7 million in 1957.

Meanwhile, government income from sale of surplus property will fall from $214 million last year to $162 million this year, drop again to $156 million during year ahead.

▶COST OF RETIRING military personnel will go higher.

Pentagon expects to distribute $601

million retirement pay in year ahead.
Compares with $563 million estimate for this year, up from $511 million in year just past.
Note: Sum's close to one month's outgo for interest on national debt.
Close also to government's total budget receipts in 1915--$683 million.

▶QUARTER OF A MILLION people will flee communist Germany this year.
Why?
Under communism, East German economy is floundering.
Under free enterprise, West German economic growth has been spectacular.
Reunification of Germany will be difficult, maybe impossible in foreseeable future.
Russia fears pull-out would bare socialist failures.
As result: Subject will be on agenda for top-level East-West talks--but don't count on much more than talk from Reds.
Question of German reunification has been biggest stumbling block to summit talks.

▶THINK OF YOUR JOB in 3 parts:
Managing your business, managing your people, managing yourself.
You'll find details in collection of NATION'S BUSINESS management articles in new 3-book leatherette desk case.
Timely subjects include how to--
Make business decisions, delegate responsibility, measure, train managers, live with job pressure, measure your firm's future, plan cost savings.
It's called "Three Steps to More Skillful Management." Send $2.40 to NATION'S BUSINESS, Room 335, at 1615 H Street NW, Washington 6, D. C.

▶WATCH FOR NEWS from Nashville this month--where President's joint federal-state action committee will meet.
Group's looking for ways of turning more central government programs over to states, communities.
Agenda will include:
Civil defense, government housing, education beyond high school, problems of aging, cigaret tax, estate tax.
Item: Study by National Industrial Conference Board shows 277 per cent 10-year rise in U. S. grants to states.
Tax money from Washington accounts for 16.5 per cent of state revenue.

▶CONFLICTING COMMENTS cloud U. S.-Soviet scientist-engineer race.
1. Presidential adviser says:
"Soviet Union now has more scientists, engineers than U. S.... Russia and her satellites are outstripping free world in all scientific fields by about 50 per cent each year."
2. Leading science educator says:
"Soviets do excel in certain fields, largely development of large equipment, where they have decided to devote intense effort....
"These developments, however, are not basic...are things that can be pushed to rapid success if funds are not limited.
"...there is little danger that Soviets will pass us in basic research."

\- - -

Do Russians really have more engineers, scientists, college graduates than U. S.?
Special congressional committee staff study shows:
U. S. has about 3 times as many persons with college degrees as USSR.
In graduate training, U. S. is leading communists by wide margin.
In past 7 years--
43,424 persons completed graduate work in Soviet Union.
513,512 persons did so in U. S.
Comparison shows 7,607 Russians completing graduate work in most recent year.
Number here--67,044.
Total number of professional persons per 1,000 population in USSR is 11. We have 38.1.
Russia has 5.9 scientists per 1,000 population. We have 9.3.
For engineers, Russia's ratio is 3. Ours is 3.5.
Note: Harvard University specialist, in just-completed long study of Soviet medical training, says--
Reds devote as many hours to political indoctrination as to surgery and other medical subjects.

\- - -

U. S. can raise engineering efficiency 10 per cent, get more effectiveness than doubling number engineers who will graduate this year. See page 34.

Letters from businessmen

Loaded issue

We have always found the articles in NATION'S BUSINESS most helpful in our Executive Development Program. However, I don't believe I have seen one issue with as many articles applicable to the situation as is your issue of February 1958. May we have permission to reprint excerpts in our Monthly Memo from: "Eight Skills Make a Manager," "Minimize Your Business Risk," "Executives Can Simplify Their Jobs," and "You Can Ask Creative Questions"?

J. H. PAYNE
Convair,
Fort Worth, Tex.

Application and results

While there has been a greal deal of coverage given in recent months to marketing and marketing research, we were quite enthusiastic about your article "This Marketing Plan Builds Profits." You have translated what is often a dull, technical story into one of interest by stressing the actual application and results.

BUD BENNETT
Anderson-McConnell Advertising Agency, Inc.,
Hollywood, Calif.

One more, coming up

I have found your December issue to be such an excellent number that I would very much like to have another copy.

A. M. KINNEY
President,
International Register Company,
Chicago, Ill.

For study

I would like very much for you to mail a copy of your July issue to my nephew, Mike Cammack, who is a student at Georgia Tech. There is an interesting article in NATION'S BUSINESS that he would like to use.

All members of our firm enjoy reading your excellent and outstanding publication.

CLAYTON CAMMACK
Vice president,
Baker-Cammack Hosiery Mills,
New York, N.Y.

Satisfied scientists

In the article "Analysis of Worker Turnover," there is mentioned on page 71 the recent federal government survey on job satisfaction among scientists and engineers. Can you send me a copy of this study or direct us to the proper department to obtain a copy?

H. A. DASCHNER
Pressed Metal Institute,
Cleveland, Ohio

▶*Survey entitled "Summary Report of the Survey of Attitudes of Scientists and Engineers in Government and Industry," is available from the Superintendent of Documents, Government Printing Office, Washington 25, D.C. Price, 50 cents.*

One he can use

We would appreciate receiving 25 copies of the December issue of your publication. We believe the article we want deals with the business forecast for the year to come ('58 Outlook: By Business; By Government).

We think it is a very good article and one we can use in the life insurance industry in relation to business conditions for 1958.

P. E. KRAUS
New York Life Insurance Company,
Youngstown, Ohio

Good ideas....

The material contained in "How to Develop Ideas" is most applicable in fitting in with a creativity course currently being prepared by this office.

We are interested in using some of the material, and would like clearance so we may incorporate some of it into our program.

ROBERT D. HESSE
V-M Corporation,
Benton Harbor, Mich.

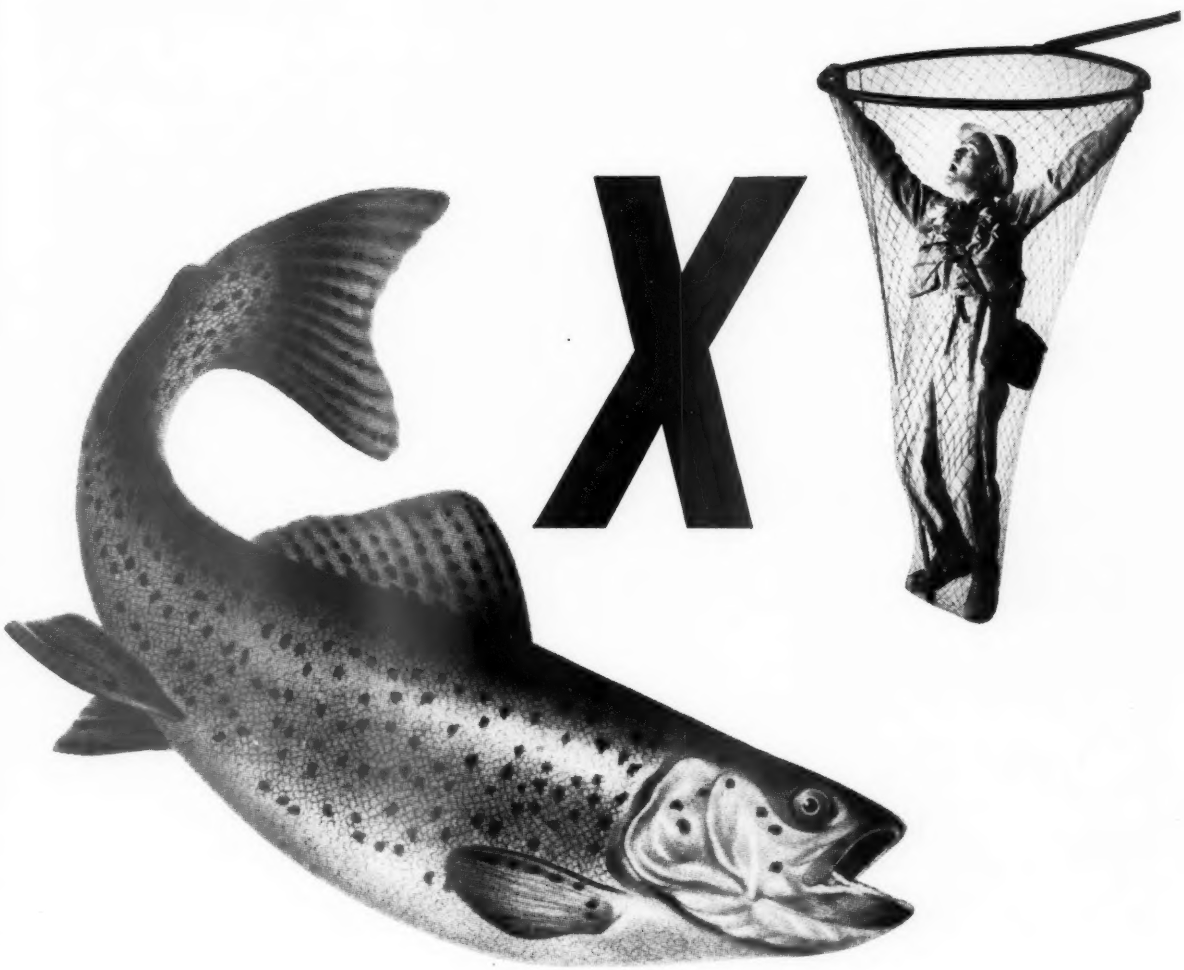
Excellent! That's what I call the article "How to Develop Ideas." I can use all of the valuable information contained in this outstanding report.

Would you please send me 10 copies of it?

My father sends me NATION'S BUSINESS after he finishes reading it. I find it the most complete report on the nation that is available today.

DAVE MILLICAN
University of Texas,
Austin, Tex.

We are requesting permission to reprint "How to Develop Ideas,"



and "Analysis of Worker Turnover Pays Off."

C. E. BROWN
American Steel & Wire Division,
United States Steel Corporation,
Cleveland, Ohio

▶*Permission granted and reprints provided.*

.... but wrong dimension

With reference to "How To Develop Ideas" (January issue), readers who completed the drawing as a square not only are hampered by a perceptual block, but also lack an understanding of perspective, as does your artist. To represent the problem fairly, alter the front view....

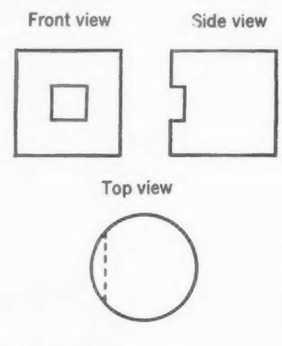
WILLIAM I. PEDERSEN
Wantagh, N.Y.

If the slot in the cylinder were as deep as you show you would get a rectangle in the center of the cylinder, not a square, in the front view. Just measure the length of the milled area on the top view and compare with the length of the side of the square in the front view. I sure hope all business decisions are not reached without more exact evidence than this.

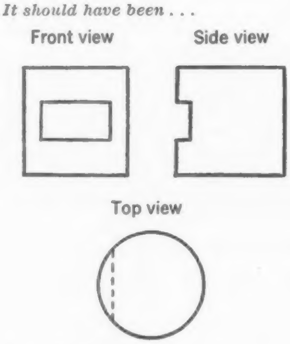
RICHARD N. SOUTHGATE
Summit, N.J.

▶*We hope so, too.*

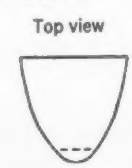
We showed it ...

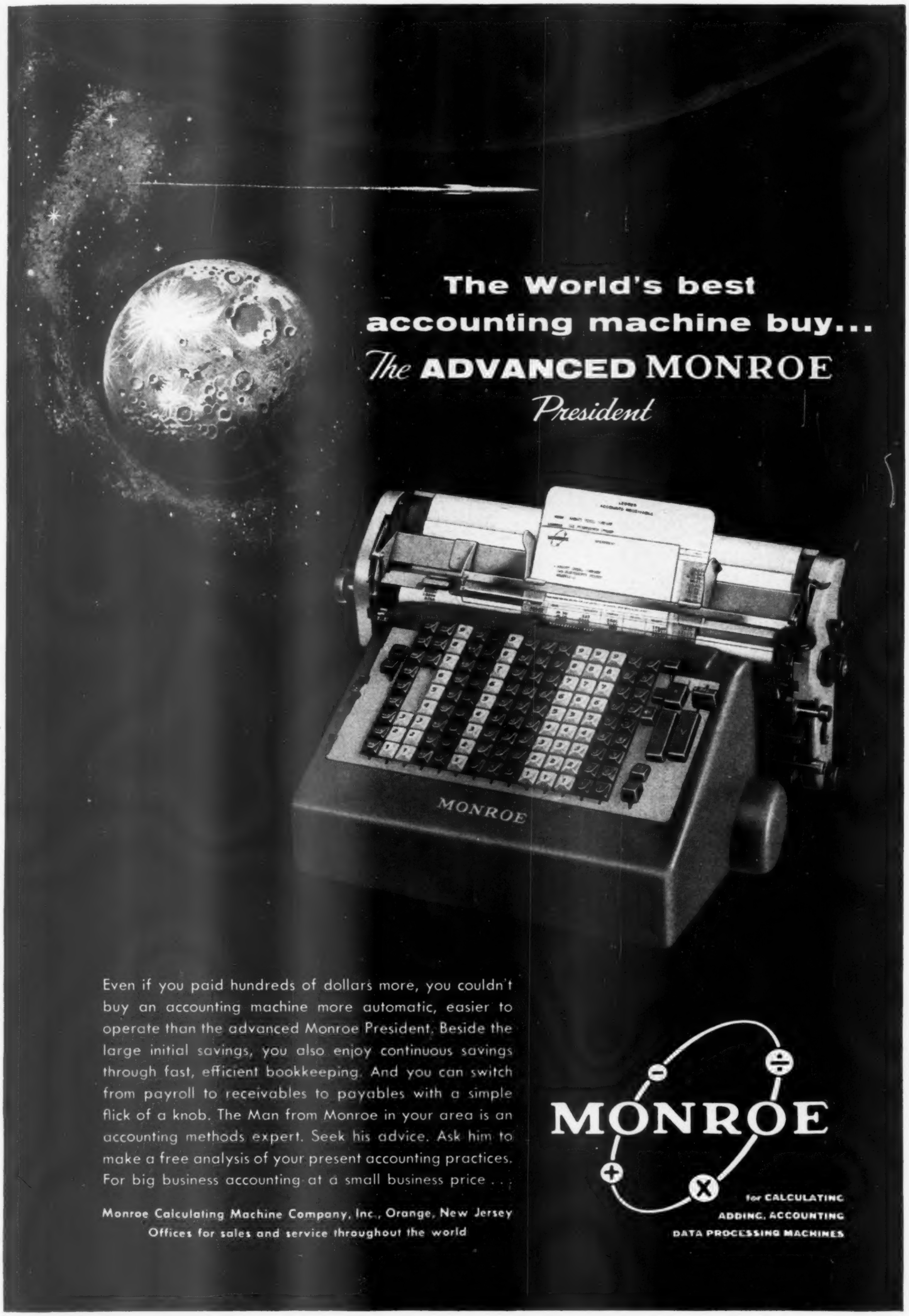


It should have been ...



One reader drew ...

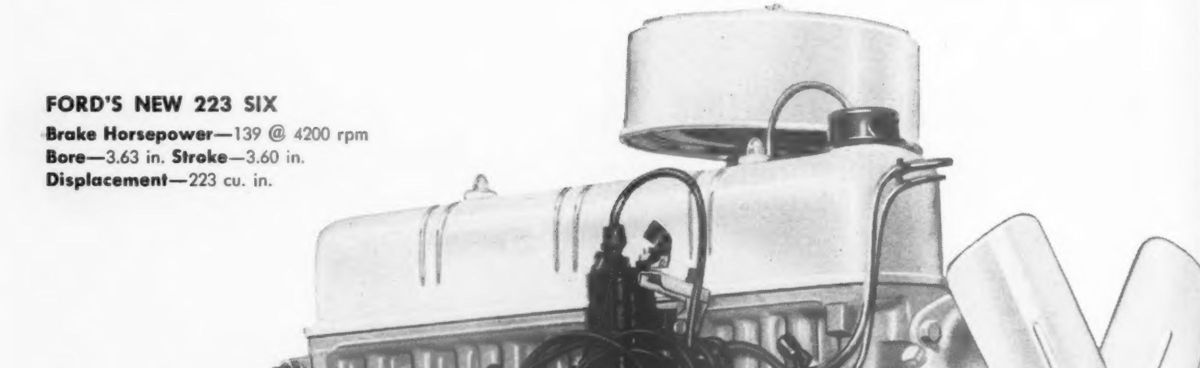



The World's best
accounting machine buy...
The ADVANCED MONROE
President
MONROE
Even if you paid hundreds of dollars more, you couldn't buy an accounting machine more automatic, easier to operate than the advanced Monroe President. Beside the large initial savings, you also enjoy continuous savings through fast, efficient bookkeeping. And you can switch from payroll to receivables to payables with a simple flick of a knob. The Man from Monroe in your area is an accounting methods expert. Seek his advice. Ask him to make a free analysis of your present accounting practices. For big business accounting at a small business price . . .
Monroe Calculating Machine Company, Inc., Orange, New Jersey
Offices for sales and service throughout the world
MONROE
for CALCULATING
ADDING, ACCOUNTING
DATA PROCESSING MACHINES

'58 FORD

New, more efficient SIX...

FORD'S NEW 223 SIX
Brake Horsepower—139 @ 4200 rpm
Bore—3.63 in. **Stroke**—3.60 in.
Displacement—223 cu. in.



FORD TRUCKS COST LESS

less to own . . . less to run . . . last longer, too!

TRUCKS

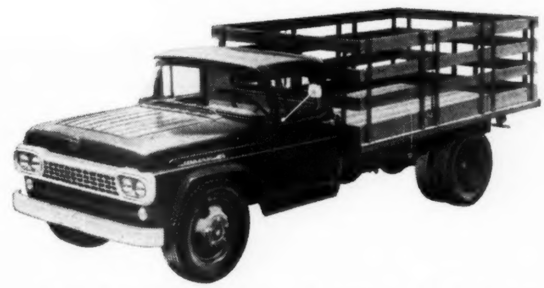
... greater economy, longer engine life!

The only modern Short Stroke SIX for Light and Medium Duty service

From pickups to two-tonners, the new '58 Ford truck line provides the most efficient SIX with more horsepower per cubic inch than any other in its class. This modern thrift leader features a new carburetor for up to 10% greater fuel economy. And engine features like Deep-Block construction, free-turn valves (both intake and exhaust) and aluminum alloy pistons with integral steel struts are all designed for extra durability.

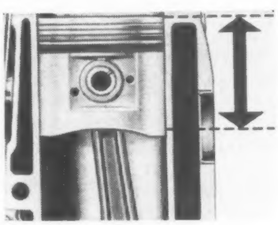
Teamed with this more efficient SIX, the Ford Driverized Cab offers new riding comfort. The roomy cab has comfortable non-sag seat, suspended pedals, Hi-Dri ventilation and weather-protected inboard steps. Impact-O-Graph tests prove Ford pickups give smoothest ride of any half-tonner!

Ford trucks give dependable service. A study of ten million trucks by insurance experts proves Ford trucks last longer. When replacement parts are needed, Ford parts are priced *low* and can be obtained everywhere.

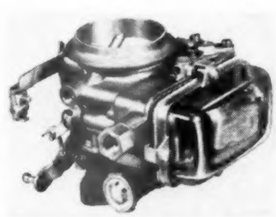


New Ford F-500. Rugged, versatile 1½-tonner with 15,000-lb. GVW. Two wheelbases for 7½- to 13-foot bodies.

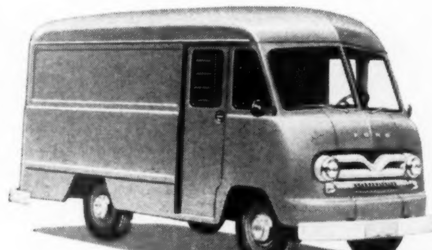
New Ford Styleside pickup. Modern Styleside body is as wide as the cab and *standard at no extra cost*. Conventional Flareside box available.



Short Stroke design means less piston travel, less internal friction—gives more usable power. Provides increased durability . . . prolongs engine life.



New carburetor design gives up to 10% *more* fuel economy. New vacuum control valve and accelerator pump system provide smoother operation.



New Ford Parcel Delivery chassis. Four P-Series chassis with GVW's from 8,000 to 17,000 lb., for up to 525-cu. ft. custom bodies.

AMERICAN BUSINESS BUYS MORE FORD TRUCKS THAN ANY OTHER MAKE!

WATCH THIS ISSUE

Right-to-work fight spreads

Congress and voters in eight states may vote on question of compulsory unionism

COMPULSORY VS. VOLUNTARY unionism is one of the hottest issues sweeping the country today.

So-called right-to-work legislation is being debated in Washington, in many cities and states, in the courts, and by the debating teams of colleges and high schools.

It is a major issue in the race for governor of California and will be a factor in the election of many members of Congress this fall.

The basic question is whether a worker should be forced to join or pay dues to a union to keep his job.

Supporters of voluntary unionism feel that no person should be forced to join any organization against his will, and that the right to work without joining a union should be protected by law.

The other side argues that right-to-work laws interfere with the freedom of contract between employers and unions, and that all employes covered by a union contract benefit and, therefore, should help support the union.

In a Gallup poll taken last year, the public voted more than two to one in favor of right-to-work laws.

Eighteen states now have right-to-work laws which, in substance, forbid labor contracts requiring either membership or nonmembership in a union as a condition of employment. Workers in these states, except on railroads and airlines, retain the voluntary choice of joining or not joining, as they wish.

Supporters of free, voluntary unionism are attempting to get similar laws passed in other states or a national right-to-work law. At the same time, labor organizations are spearheading efforts to defeat such attempts as well as to repeal existing right-to-work legislation through state or federal action.

At the national level, bills have been introduced in Congress, by Sen. Barry M. Goldwater of Arizona and Rep. Clare E. Hoffman of Michigan, which would abolish compulsory union membership.

The bills, if enacted, would repeal a provision in the Taft-Hartley labor law which excepts compulsory union membership agreements from the ban on employer assistance of unions. They would also allow state right-to-work laws to function concurrently with federal provisions.

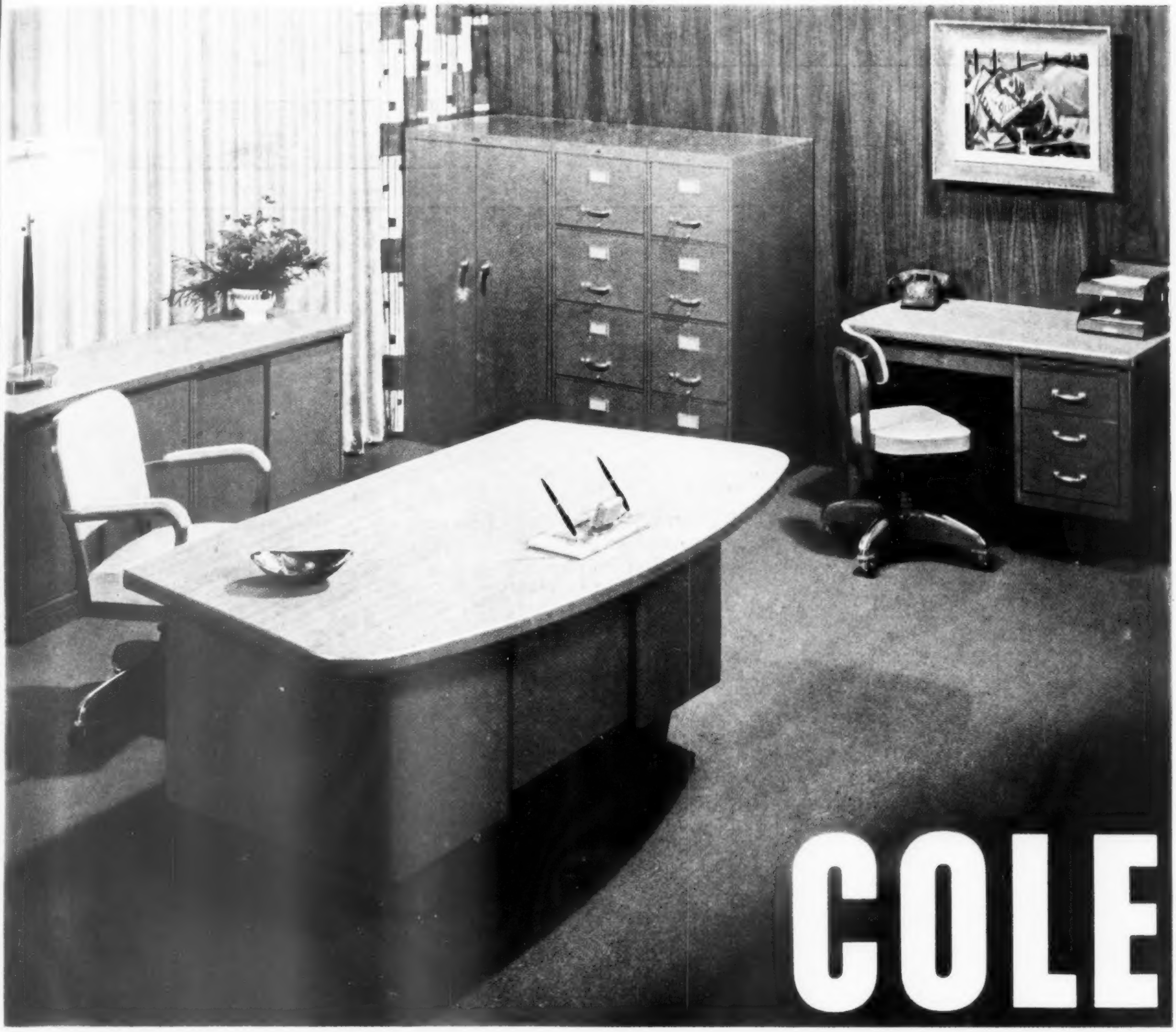
President Eisenhower's recommendations for labor legislation in this session of Congress did not include right-to-work legislation. Secretary of Labor James P. Mitchell told the AFL-CIO convention in December that the Administration would, in fact, oppose it.

Organized labor wants just the opposite kind of amendment to Taft-Hartley, and a bill to that effect has been introduced by Rep. John D. Dingell of Michigan. The Dingell Bill would repeal Section 14 (b), which allows the states to enact right-to-work laws if they choose. Repeal of 14 (b) would, in one swoop, repeal the existing 18 state statutes and preclude the enactment of others.

Chances of right-to-work legislation are more likely at the state level, largely through referendum vote. Referendums are in prospect this fall in eight states, one of which—Nevada—will seek repeal of its existing right-to-work law.

Kansas voters will decide whether they want a right-to-work law in the November balloting. The legislature decided to put the issue to a vote of the people after the governor vetoed a right-to-work bill in 1955.

In six other states moves are in progress to put a proposed law on


COLE

KENTILE VINYL

ON TODAY'S SMARTEST FLOORS

Friendly atmosphere of this charming Early American décor was inspired by the rich, nutty tones of the floor. Kentile Corktone® Vinyl Asbestos Tile is available in light, medium, and dark shades.

So wonderfully warm looking! So delightfully informal! KENTILE® Corktone Vinyl Asbestos Tile with the rich, nutty tones customers love. And how you'll love its economy. You see, its easier care and longer wear make it pay for itself in lower maintenance costs. It's greaseproof . . . stain resistant . . . won't pit either.

Interested? Your Kentile Floor Contractor is listed under FLOORS in your classified phone book. Kentile Floors are available in Vinyl Asbestos (Kenflex®), Solid Vinyl, Cushion-back Vinyl, Cork, Rubber and Asphalt Tile . . . over 175 decorator colors! © 1958, Kentile, Inc., Brooklyn 15, New York.

RIGHT TO WORK

continued

the November ballot. They are in California, Colorado, Idaho, Montana, Ohio and Washington. In Washington, a referendum failed in 1956 largely through efforts of Teamsters Union leaders who have since been discredited by disclosures of the Senate Labor Rackets Committee.

Groups seeking enactment of right-to-work legislation are also active in Delaware, Illinois, Kentucky, Louisiana, Maryland and other states. The objective in Louisiana will be to restore a law which was repealed in 1956. Passage of city and county right-to-work laws is in its early stages. Interested local communities are awaiting the outcome of a California court test of laws passed by the community of Palm Springs and several counties.

State right-to-work laws, specifically sanctioned by the Taft-Hartley law, have been upheld by the U. S. Supreme Court. It is unsettled, however, whether the sanction extends to a political subdivision of a state.

The Palm Springs ordinance has recently been declared invalid by the lower courts on this point: Since the State of California has occupied the right-to-work field by permitting labor contracts requiring union membership by employes, a municipality is disqualified from legislating on the subject.

Pending in the Indiana Supreme Court is this question: Whether the all-union shop agreement General Motors signed with the United Automobile Workers in 1955 violates the state's Anti-Injunction Act and its Bill of Rights.

All nonunion GM employes represented by the UAW were notified that they had to pay union initiation fees and dues to keep their jobs.

A group representing those in Indiana is seeking an injunction to prevent the company and UAW from discharging any who refuse to make the payments to the union. Its contention: The Indiana Bill of Rights guarantees an employe that he will not be forced, by any union contract, to give up his chosen work.

Lower courts denied an injunction.

Forcing employes to support the union financially is one device being used to get around some state right-to-work laws. In Texas, some employes are being made to pay a service fee that is equal to dues.

Another unresolved question is whether an employe may be forced to join a union if his forced dues, in the words of the Supreme Court, are

RIGHT TO WORK
continued

used "to promote ideological and political issues and candidates (a worker) opposes." The highest court reserved judgment on this point in upholding the validity of a Railway Labor Act provision which permits compulsory union membership agreements covering railroad and airline employes irrespective of any state right-to-work law.

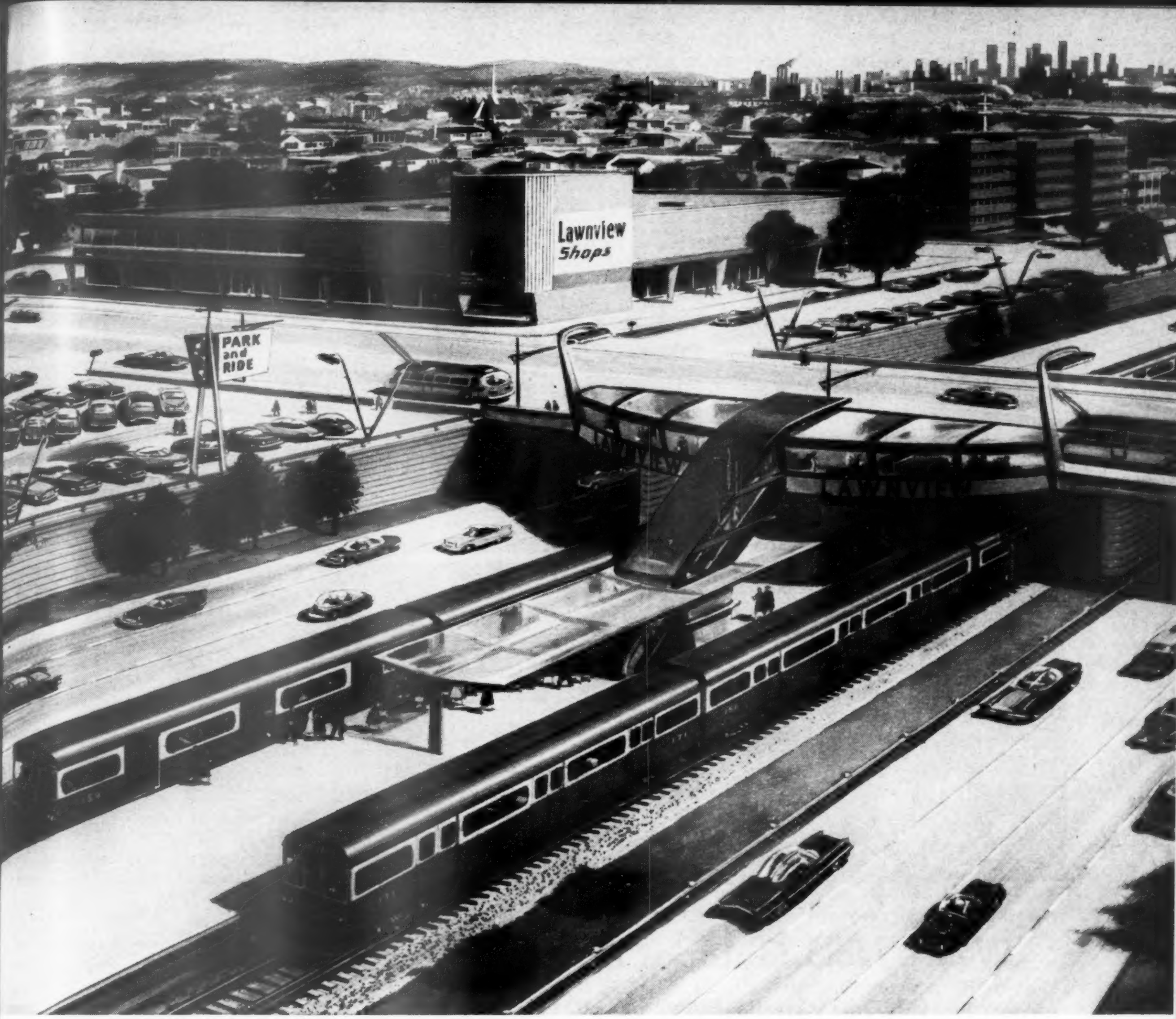
Relying on this reservation expressed by the U. S. Supreme Court, the Georgia Supreme Court has ordered retrial of a case in which employes of Georgia Southern & Florida Railway Co. refused to join a union to keep their jobs. The court indicated that, under their constitutional rights, workers could not be forced—under threat of job loss—to join a union if the dues might be

When 18 right-to-work laws went into effect

1957	Indiana
1955	Utah
1954	Mississippi
	South Carolina
1953	Alabama
1952	Nevada
1947	Arizona
	Arkansas
	Iowa
	Georgia
	Nebraska
	North Carolina
	North Dakota
	South Dakota
	Tennessee
	Texas
	Virginia
1944	Florida

used to enforce ideological conformity on them.

More than 1,000 colleges and universities and many high schools are debating right to work as the topic selected for debate competition this school year by the Speech Association of America. The question being debated: "Resolved, that the requirement of membership in a labor organization as a condition of employment should be illegal. END



SUBURBIA 1970?

For 1970's estimated 80,000,000 suburbanites, travel will be fast and convenient—without traffic strangulation—if planning for modern metropolitan transportation begins now in your community.

40,000 PEOPLE AN HOUR

The key to Suburbia 1970 will be COORDINATED METROPOLITAN TRANSPORTATION. New expressways will be needed. Modern rapid transit trains with exclusive rights-of-way will be needed to greatly increase expressway carrying capacity. (One lane of rapid transit will move 40,000 seated passengers an hour compared to the 2,000 people an hour that one expressway lane can carry.) Feeder buses will be needed, too, to connect less densely populated suburban areas with fast transit lines. Outlying parking areas at suburban transit stations will provide added rider convenience.

EVERYBODY BENEFITS

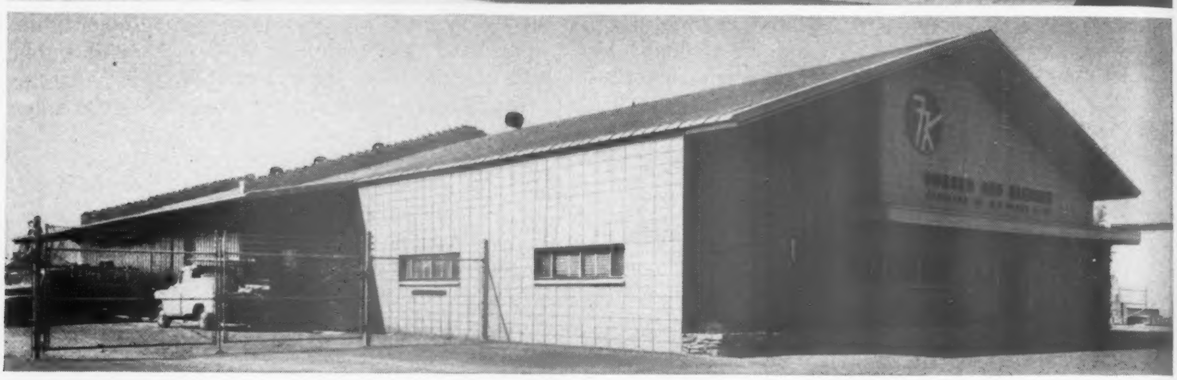
Everyone in Suburbia 1970 will benefit. Residents, merchants, businessmen, taxpayers . . . everyone who has a stake in continuing community growth and prosperity.

If you'd like more information about how you can support coordinated metropolitan transportation in your community, or to arrange for a showing of General Electric's new motion picture "Millions on the Move," write Section 107-60, General Electric Co., Schenectady, N. Y.

Progress Is Our Most Important Product

GENERAL ELECTRIC


FOSTER AND KLEISER
DIVISION OF W. R. GRACE & CO
2601



The state of the nation

Quality of a nation's citizens is the vital test of a first-class power

AS EVERY STUDENT of boxing knows, a cool head in the ring is as important an asset as muscular strength or nervous energy. The fighter doomed to defeat is the one who cannot take punishment calmly. No bets are placed on the man who loses his temper, goes in flailing and thereby gives opportunity to his more self-controlled opponent. It is the former who generally ends up flat on the canvas for the count of ten.

The analogy comes unpleasantly to mind in considering the all too prevalent American reaction to Russian rivalry. Almost hysterical terms, like "race for survival" or "national peril," are common currency. Mysteriously secret reports are said to picture the country as plummeting downward "to the status of a second-class power." And the conclusion is that we can only be saved by pouring out money like water in every conceivable direction, from the provision of teen-age scholarships to the subsidizing of undeveloped nations. Now that our own satellite is in orbit, it is time to recover the poise and dignity which are quite as essential as physical strength in any form of leadership.

• • •

If the national state of mind were really what the newspaper headlines and radio commentators too frequently suggest, the situation would indeed be serious. We would be in the condition of the panicky boxer who is inviting a knock-out. Fortunately, however, the current American psychosis of fear is stimulated rather than spontaneous. Very few people show by their actions that they believe the country to be in imminent peril. If any of us has slept less soundly since the Sputniks soared up, it is not because he expects to be blown out of bed by guided missiles. A much more cogent cause of insomnia is the problem of making a fixed income cover the ever increasing cost of living.

Many are undoubtedly disturbed and even worried because of our difficulties in matching certain Russian technological advances. There is conviction that we suffer from gross bureaucratic inefficiency at the top, and from an indulgent, undisciplined and badly directed system of public education at the bottom. But while the country as a whole has felt humiliated, and shows the anger that comes from injured pride, it certainly has never been panic-stricken. And grave disservice is done by those who give the opposite impression.

Today, as always, most Americans are concerned with their own immediate problems. The baby has the measles; sonny has lost his new overcoat; Uncle John has been laid off; Aunt Bessie can neither calculate nor pay her income tax—these are the sort of homely troubles that bother the average family much more than the seemingly interminable argument between Moscow and Washington.

This self-centered attitude, however, is disturbing to those who like to think of themselves as spokesmen for the nation's destiny. These self-appointed experts on foreign policy seldom know

By Felix Morley


FRED J. MAROON

much more about world happenings as a whole than does any yokel in the sticks. But they must assume omniscience, in order to hold an audience in this era when we have learned how, rather than what, to communicate. And the general objective of the professional communicator today is, as some of them freely admit, "to shock the uninformed out of their apathy."

In this doubtless well intentioned effort to excite people about "our national peril" much absolute nonsense is talked. An illustration is the assertion that we must choose between national security and a balanced budget.

Of course the two cannot rationally be opposed to each other, because there can be no national security unless the budget is habitually balanced. Constant deficit financing is one symptom of an inflationary situation that undermines all financial stability and thereby makes security impossible for all but shrewd speculators and insiders. The inseparability of national security and governmental economy is as pronounced today as when George Washington emphasized it in his Farewell Address: "As a very important source of strength and security, cherish public credit."

This is not to say that national defense is a matter of secondary importance. Heavy expenditure in certain technical areas of that field was probably never before so imperative. But the assumption that security is to be attained merely by ever larger defense spending is on a par with the belief that more federal aid to education will somehow automatically eliminate the all too evident demoralization in our public schools. It is not more money that is needed for better results, but more intelligent methods. Indeed that is tacitly admitted by those who say we are becoming second-class in spite of the fabulous rate of governmental expenditure maintained in recent years. What deterioration there is could well be because of, rather than in spite of, squandermania.

• • •

The communist leaders, certainly, must be delighted with the prevalent American reaction to their scientific successes. We could honorably have given more credit to the potential value of these achievements for the progress of all humanity. Instead we have made it appear to the world that our one overriding objective is to catch up in the strictly military applications of Russian accomplishment. We are not a materialistic people and we have no imperial ambitions. But if anybody is going to have an outpost on the moon, provide lunatic aid and develop its military potential—that country had better be ours.

In this almost psychopathic attitude, which one hopes will not outlive the winter now ending, there is something clearly disturbing to our Allies, and to many wholesome Americans as well. On the one hand we overemphasize our military deficiencies and give the impression that we are badly scared. On the other hand we spread the impression that we seek to catch up in order to dominate and that we think we can do this merely by conscripting the wealth of the country for centralized bureaucratic dispensation. All this plays into the hands of the clever communist leadership, conveys the impression that there is an ever lessening difference between American and Russian objectives; says simultaneously that of the two we are in the more risk of becoming a second-class power.

The net effect of this compounded stupidity is all too apparent. It is greatly encouraging the widespread desire of many peoples to be neutral as between the United States and Russia. And it is steadily raising the price in foreign aid which the Department of State must pay in order to keep our Allies even nominally aligned behind our foreign policy.

They are quite willing to capitalize on the fallacious theory that, in sufficiently large quantities, money will buy international friendship, as well as good elementary education and perfect coordination among the myriad offices in the Pentagon.

• • •

To these dark clouds there is, fortunately, a silver lining. It is found, interestingly enough, in that very concentration on personal and local problems which is miscalled complacency by quick talkers. The man who is struggling to keep his business afloat, the woman who knows that essential household expenses get larger every month, even the youngster who finds that his school diploma and his dollar bill are alike losing value—these people are forced to confront issues more pressing to them than the state of guided democracy in Indonesia or the advance of technology in Pakistan. The belief that Washington will take all burdens from the individual's shoulders, leaving him undisturbed leisure to concentrate on problems of world citizenship, is waning rapidly. Instead of removing burdens it is more and more evident that Washington imposes them.

With this discovery will come, one may be sure, revival of the original American virtues: self-reliance, ingenuity, energy, dependability and courage. The greater the eventual failure of government to provide security, the more pronounced the individual effort to attain it is sure to be. And whether or not a nation is first-class depends, of course, not on the quantity of its spending but on the quality of its citizens. Only under communist theory does a country become great by draining power from the people to center it in a managerial class.

Washington mood

President shares his advisers' faith in quick economic recovery

THE MAIN TOPIC of conversation here is no longer satellites and missiles; it is economics—the state of business.

All concerned—President Eisenhower, members of Congress, and the man in the street—are feeling better now that our own earth satellite has been launched. But there is a growing realization that the United States can't hope to have military strength unless there is a foundation of economic strength. Hence Washington's preoccupation with the down-to-earth issue of jobs and income.

A striking difference is noted between the Eisenhower Administration's attitude toward the current downturn in business and its attitude toward the slump of 1953-54. The difference is this: It is now permissible to use the word recession.

Recession was a fighting word four years ago. Those Democrats who used it—Sen. Paul Douglas of Illinois and some others—were denounced from the White House as "prophets of gloom and doom." The Republicans agreed that the economy had gone downhill some, but they preferred such phrases as "rolling readjustment" to describe what was happening.

President Eisenhower now acknowledges that there has been a falling off in business, but he continues to shy away from the word recession. This is true also of his lieutenants. Still, they don't quarrel with those who do use it.

For this there is a good reason—a half dozen good reasons, in fact. The decline in industrial production is one. Other minus signs are the 4 million or so unemployed, the drop in working hours, the dip in personal income, the fall-off in exports and the sag in new orders.

• • •

But if mention of recession is condoned by the Administration, the use of the harsher word depression certainly is not. It is a word that infuriates the President and his associates. Those who utter it are denounced as Cassandras.

President Eisenhower told off such pessimists in a recent talk to Republican leaders here, by saying:

"A few political Cassandras pop up regularly to suggest that deep depression is just around the corner, and only panicky governmental intervention on a massive scale can stem the disaster. . . . We reject this pessimistic doctrine and the lack of confidence it reflects."

The President's belief, based on information from his advisers, is that "the economy is now catching its breath for a new advance." For the moment, he says, many people are paying off installment debts and many business firms are trimming inventories. But an upswing is coming, he says, and he thinks we will see evidence of it later this year.

On what does the President base this optimistic forecast?

For one thing, he says that the American economy remains basically strong. His economic ad-

By Edward T. Folliard


ROBERT PHILLIPS

visers believe that certain sectors of business have hit bottom and have only one way to go—up. They think this is true, for example, of the steel industry, and they say that word has come from heads of steel plants that there is every indication of a step-up in orders in the days ahead.

The President also feels that the rise in the construction of homes is a good sign, although it is offset by a decline in the outlay for new plants and equipment.

Secretary of Labor James Mitchell, who has forecast unemployment of between 4 and 4.5 million, expects a slight decline in joblessness this month. He thinks the back-to-work trend will be accelerated in April, May and June, and that there will be a real business upturn in midsummer.

Mr. Mitchell believes that the easing of credit will not only stimulate home building, but will encourage state and local governments to borrow funds for construction. He sees two other powerful stimulants to the economy: the highway grants to be made by the federal government (more than $4 billion in the fiscal years 1958-59) and the substantial increase in spending by the Department of Defense.

There is some dissent from this roseate view. In hearings on Capitol Hill, spokesmen for organized labor and for the farmers have been demanding that more be done to increase purchasing power and put people back to work. Harlow H. Curtice, president of General Motors, has called for a general tax cut to stimulate confidence among businessmen and consumers.

There are three reasons why the man in the White House gets angry at any mention of a big depression. Like all Republicans, he is mindful of the fact that it took the G. O. P. 20 years to stage a come-back after the so-called Hoover Depression. He is inherently an optimist, one who likes to counsel a chins-up, shoulders-back attitude. Finally, he is thoroughly convinced that the United States will never again go through an economic storm such as the one that began in 1929.

• • •

In the early days of 1957, when the economic skies seemed bright, President Eisenhower told reporters at a news conference that he had often been asked what he would do if the country were threatened by a depression like the last one.

"There is no such thing in prospect at this time," he said. "Frankly, I don't believe that one of the character of the Twenties can ever occur."

He explained that New Deal reforms such as social security and unemployment insurance were a good protection against people "selling apples and walking the streets." But he then went on to answer the question of what he would do if a serious depression seemed to be in the offing.

"There would be no limit," he said. "I would do everything that was constitutional and that the federal government could do."

General Eisenhower has never posed as an authority on economics. He may have learned something about the subject as a West Pointer. But for the 40 years of his life as a soldier, which embraced the depression years, his needs were taken care of by Uncle Sam.

For a man with such a background, the President has shown a familiarity with the American economy that has often surprised reporters.

The explanation for this is that he has had to familiarize himself with it, and to absorb all that he possibly can at conferences with his economic advisers.

His first important tutor in this field, no doubt, was Dr. Arthur Burns, who was professor of economics at Columbia University when General Eisenhower was president there. When President Eisenhower moved into the White House, he brought Dr. Burns along to be his chairman of the Council of Economic Advisers.

• • •

When the President says that he would "do everything that was constitutional" to combat a depression, he knows very well that he has an obligation to do so. The Employment Act of 1946, one of the most revolutionary laws in our history, requires that the Government "promote maximum employment, production and purchasing power."

This law grew out of the Democratic Party's platform of 1944. Its enactment meant that the United States had officially renounced the old policy of letting the country go through the wringer in hard times.

How great a change in economic and political thought the Employment Act represented was explained by Dr. Burns in a lecture at Fordham University recently.

"Only a generation ago," Dr. Burns said, "men concerned with economic affairs typically held the view that it was best to allow storms of business depression to blow themselves out. They deplored such developments. . . . But once a business recession got underway, they were inclined to oppose any governmental efforts to check the economic decline. . . .

"No government nowadays would tolerate the destruction of one third of the nation's money supply during a period of depressed economic activity and prices. Yet that is precisely what happened between the fall of 1929 and the spring of 1933."

All of which explains why President Eisenhower says there would be "no limit" to what the government would do to avert another economic tailspin.

Before modern lubrication practice took over: $2,400 worth of these bearings were replaced to keep a 35" mill rolling for twelve months.

After assignment of a qualified lubrication engineer: one bearing ($200) served for a year, saving $2,200 a year, plus other savings.

Lubrication plan extends parts life—in this case, 12 times

We've just talked to a manufacturer who, in the past three years, has at least doubled the life of lubricated parts; and, in one case, increased the life of a large, expensive bearing *twelve times!* The same manufacturer succeeded in getting 312,000 tons of production on another bearing where 30,000 to 40,000 tons was the accepted average.

This may be a clue to industry management in general that taking lubrication practice for granted can cost enormous amounts of money in parts, lost production time and maintenance.

Developing opportunities for using modern lubrication plans like this, to turn regular losses into definite income, becomes a management function. And the management teams of quite a few major manufacturers are digging into their lubrication practices with the sole aim of making moving parts in operating machinery last longer.

Large companies find that the services of a plant lubrication engineer pay off. He can extend parts life, eliminate downtime, reduce the number of rejects (even save on lubricant cost) and otherwise add to income. Both here and in cases where operating budgets preclude a staff member, Texaco's organization of Lubrication Engineers functioning in all 48 States, can offer specific assistance. A more detailed discussion is available in an enlightening booklet: "Management Practices That Control Costs Via Organized Lubrication." Write The Texas Company, Dept N20, 135 East 42nd Street, New York 17, New York.

TUNE IN...Metropolitan Opera Radio Broadcasts Every Saturday Afternoon

TEXACO

IN ALL 48 STATES

LUBRICATION IS A MAJOR FACTOR IN COST CONTROL

(PARTS, INVENTORY, PRODUCTION, DOWNTIME, MAINTENANCE)

OUTLOOK FOR RECOVERY

An exclusive interview with the Secretary of the Treasury, Robert B. Anderson

MR. SECRETARY, *do you consider it likely that the American economy will begin to bounce back around the middle of this year?*

I have not tried to make any judgment as to a precise timing of the movement of the American economy, but rather have expressed a confidence, which I still maintain, that we are going through a period of readjustment or recession, however you want to describe it, of a character that will not be protracted.

Without attempting to pick a precise time in the year in which the economy may be expected to shift into a resurgent mood and begin a sustainable rate of expansion, I am confident it will occur within a reasonable period.

There has been a great deal of talk about weak spots and danger signals in the economy. Do you see strong points and hopeful signs as well?

Well, in an economy of the size and magnitude of ours undoubtedly there will always be fluctuations. It seems to me that most importantly we ought to try to analyze our situation on the basis of long-term and short-term factors which weigh importantly on the total economy.

Looking first at the short-term situation, I think you find that readjustments already have been made in a number of areas.

What are some of these areas?

Inventory reductions have brought about a better balance in some industries. There already has been adjustment in outputs of a substantial number of industries. There has been adjustment in prices, which reflect some of the industry adjustments that have taken place. Personal income has held up very well. Total income and total retail sales in December were about two per cent over a year ago. There has been a very prompt readjustment in the stock and bond yields

The most important factor is the maintenance of confidence in the economy's basic strength

and in the interest rate relationships. The stock market has shown some elements of strength in recent months. There are indications of a revival of residential construction, which is turning up.

About $5.5 billion more in defense contracts will be let to private industry for the first six months of 1958 than in the last six months of 1957. There will be an increase in defense spending as well as increase in defense contracts. There will be speed-ups in other projects, such as highway construction, which will add significantly to the economy. As there has been some turnover or lessening of demand for credit in the areas of private construction, there has been increasing demand on the part of state and local governments. For example, the 30 day visible supply of municipal bonds in the week ending Jan. 31 was $549 million, compared with $260 million a year before.

The business plans for fixed investment in calendar year 1958 are higher than in any year, except for 1956 and 1957. The most important factor of all is the maintenance of a relatively high level of confidence in the basic strength of the economy of this country.

You feel that this confidence is thoroughly justified?

Yes, I do. I think that boards of directors who make their decisions on the basis of a belief that the restrictive influences in the country will *not* be protracted, and we *will* be able to maintain a sustainable rate of growth, will be on the right side.

What about long-term considerations?

Our population in this country is growing at the rate of about 3 million a year, and this is the equivalent of adding a state the size of Kentucky to our consumer population every 12 months. We have an increasing demand for new products and new materials. We have a very competent scientific and technological community in the business world, and they are constantly making new products and finding new ways to make things. Both because of the demands of our people and the factors of competition, these new technological advances indicate a growth and a rate of progress. We have a constant desire on the part of all of our people to improve their standard of living and to expand their opportunities. This is one of the intangible but very important forces in an economy such as ours.

We have, from 1946 through 1957, put more than $300 billion into capital investments—a total outlay equal to the United States' military expenditures during World War II, between 1941 and 1945.

Some economists suggest we had too rapid a rate of capital expansion and we now need a period for population growth to catch up. Do you feel this is true?

Without trying to make a judgment as to the rate at which capital investment ought to take place, I do think that the movements of our economy at present reflect in part the natural aftermath of such a large expenditure program.

I think that there will be continued capital expansion, perhaps not on the scale that has characterized the past two or three years, but rather a more sustainable rate of growth that is again consistent with the demands of both our domestic economy and export demands.

How much government spending can our economy stand for defense and other purposes?

This, of course, is one of the really basic problems of our country. We must, and I am sure we can, maintain a relatively high level of defense expenditures so as to insure an adequacy of protection for our country. I am quite certain that everyone would give this a top priority. On the other hand, it seems to me that we must regard our effort not as something which we must do for a year or so, but an effort which we are at least willing and competent to make over a long and unknowable period, if that is necessary.

In the past when we have been engaged in wars we have taken a large proportion of the gross national product, and after the conflicts were over have taken a time within which to recover. We could again take a sizable slice out of our gross national product for national protection, but if you get up into an exaggerated possibility of such great proportions as, say, a half or more, then you get to the point where most of us would work for the government, where people are told what and how to do things, when price controls and wage controls would come into effect, and there you would have a degree of regimentation that is the very thing we seek to avoid in maintaining the freedom and the liberties which we cherish.

The precise point where you get more regimentation and less liberty can be difficult to judge.

It seems to me we need to determine a rate of expenditures for those things which are most essential, and to postpone, where necessary, things not as essential.

Is that the philosophy behind the new federal budget?

Certainly this thinking is always in our mind. We believe the budget is one which the country can maintain without the kind of regimentation which we are seeking to avoid.

Do you feel that in this period of readjustment we will be able to produce the $74.4 billion in revenue estimated in the federal budget for fiscal 1959?

We believe that it is a reasonable estimate of receipts during the period. The judgment is one which has to be made months in advance, and, of course, it is difficult to be entirely precise 17 or 18 months in advance.

The calculations which we have made are based upon a level rate of receipts from corporations, with some increase in receipts from individual income tax at current rates, but which takes into consideration not a rate of growth equal to that for the past two or three years, but something less than half that rate. Even giving weight to the current economic condition we believe that it will not be of a sufficiently protracted period to mitigate against the kind of estimates of revenue which we have made for that fiscal year.

All assumptions of receipts are hazardous. The very process of budget making requires a degree of pre-

ROBERT PHILLIPS

ciseness which is difficult within itself. It would be much easier if we could make our assumptions on a range of revenue and a range of expenditures, but this would be like writing a budget in which you followed each calculation with the word "maybe." We finally come to the point in the budget process where even with the realization of the difficulties involved we nevertheless have to arrive at a judgment. The most that we can say is that our judgments, we believe, are reasonable.

They are based upon the best evidence that you can get?

They are based upon the best evidence we can get in the Treasury, the best information which we can get from the staff experts of the Federal Reserve system, the Council of Economic Advisers, and those other sources of information which are available to all business people.

Can you explain just why the Administration considered a $5 billion increase in the federal debt limit of $275 billion necessary rather than some smaller increase?

The request for a $5 billion increase was based, first, upon the belief that the orderly management of our government affairs would indicate that we should have balances on hand equivalent to at least 12 working days of normally anticipated expenditures. This requires about $3.5 billion of funds available. Our expenditures for all purposes are currently running at a rate of about $1.5 billion every five working days.

We then believe that there should be a margin for contingencies because in a government the size of ours, with the problems that our government has, there are certain things which we could not reasonably be expected to anticipate. For example, we might move more rapidly than anticipated in some of the scientific fields—for example, in missile development—and it might become important that the Department of Defense spend money in that area more rapidly than it now judges it will spend it. We believe under those circumstances we in the Treasury should have the ability to meet what

(continued on page 83)

How to get more from **research**

These 10 ideas show how to make better use of technical personnel

A 10 PER CENT INCREASE in the efficiency of engineering effort would have the same effect as adding 70,000 engineers to our productive force, according to the President's Committee on Scientists and Engineers. This is about double the annual output of engineers from our colleges.

Unlike long-range proposals to upgrade the nation's educational system, steps to improve the motivation and make better use of technical people would bring increased productivity now when our economy is sagging and our technological leadership is threatened by Russia.

However, recent research in industry, government and at universities is uncovering some disturbing facts about attitudes and drives among technical employes. The research suggests a number of new courses that could be followed to make the most of our scientists and engineers. Among the suggestions are these:

- ▶ Work younger scientists longer hours but give them more money.
- ▶ Reshuffle the laboratory personnel every two years.
- ▶ Give titles to nonadministrative scientists who are especially valuable to the organization.
- ▶ Hire housewives part time as clerks and laboratory technicians.
- ▶ Give research supervisors psychological training.
- ▶ Make comprehensive and frequent reports to professional employes on company research projects, budgets and priorities.
- ▶ Assure further formal education for newly hired college graduates.
- ▶ Grant engineers and scientists time to prepare papers for presentation before professional societies.
- ▶ Award sizable bonuses—to be paid over several years—for exceptional research contributions.
- ▶ Invest adequate sums in scientific equipment and instruments.

The President's Committee will sponsor a number of conferences this spring at which industrial, educational and professional leaders will discuss practices for making more efficient use of technical people.

Both industry and government recognize that few problems are more important than this. The world is taking giant strides into an age of increasing technological complexity. The Soviet Union has proved its competence in a number of scientific fields, particularly those of military value. Its scientific progress is increasing in line with national policy.

Meanwhile the United States—which, according to the National Science Foundation, will need twice its present number of scientists by 1970—has entered a decade when the productive age group will decline in numbers because of the low birth rate of the 1930's.

Anticipation of these future pressures has inspired the recent studies of present practices and possible improvements.

One of these, a survey of 23 companies by Booz, Allen & Hamilton, management consultants, found that most of the research workers were critical of their company's programs. Nearly 60 per cent said they thought their labs were not well run. Other complaints were that there was little contact with management and other departments, limited knowledge of long-term company goals and standards for their own performance. About 40 per cent of those working on product development said they didn't know enough about their firm's existing products.

The Engineers Joint Council, representing engineering societies and associations, claims the following professional, personal and financial conditions have driven engineers to unionize:

A feeling that engineers are not identified with management, inadequate communication between engineers and top management, insufficient recognition as professionals, assignment to nonprofessional work, too narrowly specialized assignments (as one engineer put it, "You tend to lose perspective working on nothing but frame 105 of air-frame X"), lack of position classification or appropriate titles so the engineer can measure his progress, inadequate training or job rotation, salary below contribution, too small a gap between the pay of engineers and skilled trades and between experienced engineers and newly hired college graduates (starting salaries are expected to reach about $470 a month for graduate engineers in '58), dissatisfaction with merit review systems, lack of understanding of salary structures.

"One of the deepest problems is the feeling they're being under-utilized," says Dr. Howard L. Bevis, chairman of the President's Committee.

The University of Michigan's Bureau of Industrial Relations just finished two years of interviews with 400 scientists and engineers in 10 companies. As a preliminary finding, it reports:

Engineers and scientists in industry yearn for the challenge of a difficult job, freedom to tackle it and personal recognition.

One of the most serious conflicts between technical people and their managers is that the scientist continually strives for more technical excellence while the manager is often interested in quicker application of less refined and costly results.

The scientific personnel in the 10 companies complained that their contribution was not fully paid for or appreciated. They wanted to know the reasoning behind accounting and reporting procedure and the criteria for accepting or rejecting projects.

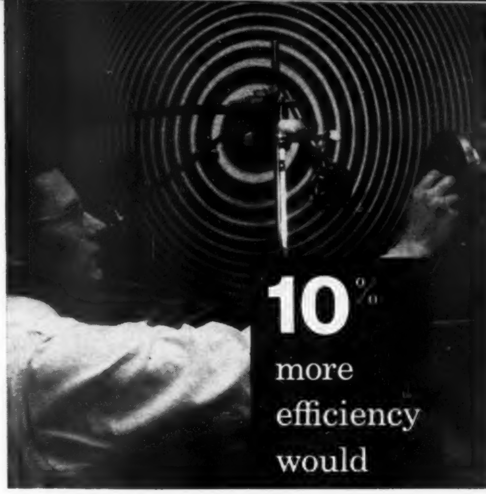
Here are some quotes from those interviewed: "I am not challenged by the projects which are assigned to me." "I don't have enough opportunity to see my ideas put to work." "I and my work do not have the favorable regard of top management." "I'm not treated as a professional by my superiors." "Recognition is given for product development, not for research."

Another study of the attitudes of scientists and engineers recently completed by the federal government got responses from 17,439 U. S. scientists and engineers, plus answers from 3,317 similar individuals in research outside the government. The study was aimed at finding out how the government could better attract and retain scientists and engineers. It led to U. S. Civil Service Commission action to raise salaries for these employes.

In general, these specialists look favorably on government. Some 70 per cent of government scientists and about 60 per cent in industry felt their jobs were important. However, some government employes tended to be a bit embarrassed about their choice of public service as a career, the survey reported. Fewer in government than in industry thought their jobs were well regarded by their colleagues and friends.

Scientists and engineers in defense agencies are less satisfied with their professional environment than either nondefense or industrial scientists and engineers.

Fully two fifths of the respondents in both government and industry felt that what they were doing re-



equal 70,000
more
engineers
in our
productive
force

quired less training, ability and experience. The same portion said they spend about 25 per cent of their time in nontechnical chores.

Half of those in government and two thirds in industry think top management is more competent in industry than in government.

Two thirds of government scientists and engineers and one fourth in industry are dissatisfied with their prospects for salary raises. However, pay and living conditions are considered less important among both groups than four or five other factors connected with their work.

Of utmost importance in their research work to survey respondents in both government and industry were "interest potential of work" and "integrity of management." Below these came "opportunity to move up in organization," "caliber of supervision" and "opportunity to discover and do creative work."

Research has turned up quite a few sensitive areas which seem to affect the productivity of most scientists and engineers. The few brilliant contributors who originate new ideas are driven by the most subjective of motives, scientists say. Rear Adm. Hyman Rickover, developer of the atomic submarine, judges that "compulsion is the motivating force" with these few persons. There is no reward connected with their work, only their satisfaction in new knowledge.

As an administrator of scientists and technicians at work on nuclear propulsion developments for the Navy, Admiral Rickover maintains an environment of far greater freedom than most government or industry programs. His aides insist that their own personal limitations are the only restrictions on their productivity and creativity.

"The best atmosphere," says Admiral Rickover, "is one where the only limitation is that of the scientist himself. He must have *(continued on page 73)*

BE READY FOR THE UPTURN

Consideration of these factors will help plan your business future

QUICKEST recovery from recession will be made by companies whose policies are directed toward taking advantage of the recovery that is sure to come.

Such companies, in considering the many possible ways to cut costs and increase efficiency, apply this test to each proposal:

"Will it help the company recover more rapidly than other companies when business picks up? Will it result in the loss of more profits next year than it is saving this year?"

Such a test may prevent what seems to be obvious—but may be ill-advised action—in such fields as:

- Inventories
- Cash position
- Equipment
- Hiring practices
- Customer relations

Companies which consider the future as well as the present before taking action in these fields may find that today's downturn is actually an opportunity.

Inventories

Almost the first rule for riding out a recession should be the policy that inventories should be maintained, either physically or otherwise, which will be adequate for an upturn. Failure to remember this cost companies untold profits in 1949 and 1954.

What happened in 1954 was particularly surprising because the steel strike of 1952 had shown what it meant to be without adequate inventories. After the strike, companies using steel built up high inventories. By the fall of 1953, steel inventories in general were equal to about 125 days' consumption. When the recession came, companies lived off these inventories until the early summer of 1954. By that time supplies for many companies were down to about 30 days. As the economy began to recover, companies tried to replace stocks. Requirements for inventory almost matched those for consumption purposes for a time. Demands were much greater than the capacity of important segments of the steel industry. Prices rose. Profits of some companies were hurt more in the third and fourth quarters of 1954 than their willingness to let inventories drop in the first and second quarters had benefited them.

A somewhat similar pattern seems to be emerging in 1958. Steel consumption is again exceeding production, and inventories are being drawn upon rapidly.

Steel has been used as an illustration. Other commodities present similar problems throughout much of industry. The ratio of wholesale inventories to sales in November 1957 was 11 per cent less than in November 1953 when we were moving into the recession of 1954. The ratio of retail inventories to retail sales was nine per cent lower in November 1957 than in 1953. As a matter of fact, the ratio of retail and wholesale inventories to sales was lower in November 1957 than it was in the good month of November 1955. Sales were lost in 1954 because of inadequate inventories. The hazard may be even greater in 1958.

If the comparison is pushed still further, the inventory picture seems even tighter. Durable goods manufacturers reported that the ratio of their inventories of purchased materials to finished goods was 19 per cent lower in the early winter of 1957-58 than it was four years before. Manufacturers of nondurables reported their ratio was nine per cent lower than it had been four years before. And this despite the fact that the ratio of durable orders to sales was 19 per cent higher than it had been four years before when we were moving into the mild recession of 1954. The ratio was two per cent higher for nondurables. Among durable manufacturers the ratio of orders to finished inventories was 17 per cent higher; the ratio of orders to goods in process was 10 per cent higher; and the ratio of orders to purchased materials was 44 per cent higher than it was four years before.

Companies may be tempted to cut inventories sharply, relying on fabricators or suppliers for prompt deliveries of any items that may be needed. On the face of it, this enables a company to build up cash reserves and reduce short-term obligations. It helps trim costs at a time when income from profits are under pressure.

All may go well until recovery begins to boost sales. Prompt deliveries then become a thing of the past. Orders disappear because materials and equipment to handle them will not be available on time.

Inventories are currently adequate for most purposes at current levels of demand. But most of them are not as high, in relation to current levels of demand, as they were in 1953. Therefore, when the current slide in business becomes an upsurge the scramble for supplies may be greater than it was four years ago.

There is another reason for reviewing current inventory policies. The major decline in the economy so far has come as a result of sales from inventory rather than from production. Sales from inventory, as reported by the Department of

Commerce, increased on an annual basis by about $5 billion from the third to the fourth quarter of 1957. From the fourth quarter of 1956 to the fourth quarter of 1957 the figure increased more than $8 billion. Government purchases were slightly higher in the fourth quarter than in the third quarter of 1957 and were appreciably higher than the fourth quarter of 1956. Construction was higher; consumer purchases were about constant. The major decline came in production and sales for inventory, not in final sales for use.

If orders were to be held at the point which would sustain, not increase, inventories, business purchases would have to increase by about one to two per cent. That is, on the average, each company's orders would increase one per cent and its sales one per cent. This would bring production back to current consumption. It would also increase consumption somewhat, thus requiring still more production if inventories were not to be depleted again. This would strengthen business and consumer confidence, and further improve matters. This is jawbone economics.

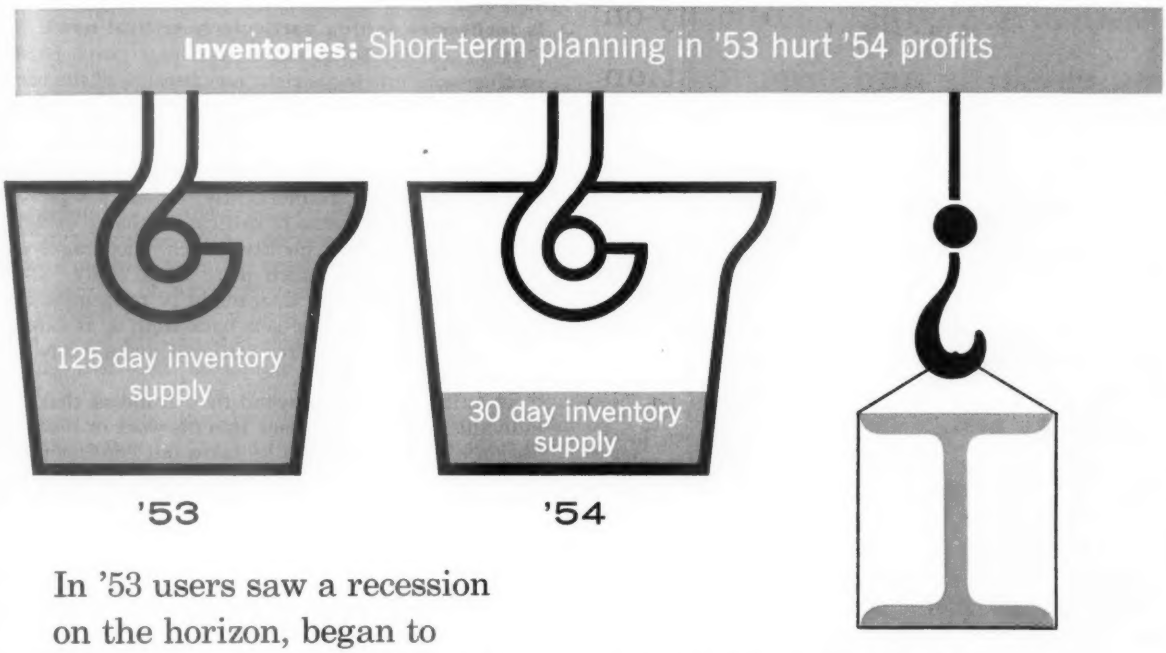
If companies realize that, for their own protection, inventories should not fall below a level which would enable them to make deliveries in an aggressive rising economy and act on that knowledge, inventory liquidation would be checked. The recovery would come sooner for all—soonest for those ready for it.

Cash position

A minor recession offers many companies an opportunity to improve their cash position as well as their capital structure. This is true because both short and long term interest rates tend to be lower in recessions than in booms. Corporations that use debt, whether as bank borrowings, bonds, or in other forms, may therefore find the recession a good time to review the possibilities of changing or increasing their indebtedness.

The rate on Baa bonds dropped from an average of 3.88 in September 1953 to 3.45 in November 1954. It rose to about 4.40 in the winter of 1956 and about 5.10 in 1957. The Aaa long-term rate rose from about 2.85 at the low point of 1954, to more than 4.75 in the winter of 1957. The cost of borrowing through even Baa bonds was nearly 1½ points lower in 1954 than the average rate on short-term bank loans to business in selected cities in the winter of 1957 and one-half point lower than even the prime commercial rate for four to six months paper reached in the fall of 1957.

(continued on page 97)



In '53 users saw a recession on the horizon, began to reduce their steel inventories

In late '54 upturn, deliveries could not meet demand, prices rose. Result: profit loss outweighed any benefits from earlier inventory cuts

A somewhat similar pattern seems to be emerging now

HOW TO MAKE TOMORROW'S SALES

Mere increases in numbers of salesmen won't insure sales staff effectiveness. Here is why

A Nation's Business interview with J. A. McIlnay, authority on sales skills and organization

Is there a shortage of salesmen at this time?

I must qualify the answer because if we confine it entirely to numbers and to right now, the answer probably is no. But in another sense there is a shortage and in still another sense, the shortage probably will increase.

Is it a shortage of quantity or a potential shortage of quantity?

The shortage is easier understood if we say it is a shortage of professional salesmen, or salesmen of quality. Numerically, I sincerely believe that we have enough salesmen right now, but we need better salesmen; men who are more fully trained and more widely trained for today's kind of selling.

Do you feel there is a lot of ineffective selling?

There is more of it than many of us in sales and marketing work want to admit. Too many times we are content with handing sales people a program planned intensely at headquarters, and given to the salesmen in a hurry with little or no real, sound training or follow-through. As a result, many salesmen are not doing the things they are expected to do or that their sales management people think they are doing.

Would such ineffective selling be detectable through such things as a decline in sales, or would it show up in other ways?

In a boom an awful lot of sales success is perhaps accidental. I think one of the best barometers would be whether or not the business progresses and develops and improves in accordance with its opportunity and its potential. The measurement should not be a statistical or numerical measurement against past performance, but a measurement against the opportunity or potential: "How do we measure up against what we can do, or should do."

Is ineffective selling particularly critical now?

It has existed to an extent over past years, but is coming more into focus right now because of the need for hard sell.

Why is the need for professional selling growing?

I think we sometimes toss off this expression, "professional salesman," rather lightly. When I say professional, I mean the sense of dedication that goes with professionalism; that quality which encourages an individual to devote much more time, study, effort and energy to his work than might be measurable by the amount of money he gets back from it. It carries with it recognition and a realization of and a sympathy for his work.

Then it goes a little beyond that. It means that the individual needs to put back into his work or his profession a little more than he takes out continuously. A doctor or a lawyer or a teacher must continuously devote a great deal of time to study, to improvement, to development, and to just raw thinking about his work and his responsibilities if he is to keep up with trends, keep up with the responsibility as it increases, keep up with the new opportunities as they develop and show themselves.

Now, nonprofessional salesmen are not willing to pay that price.

Have sales and marketing people failed to make the strides that have been made in production or engineering?

No, I wouldn't say that. I believe we have had a great deal of progress in all of the divisions or phases of business in the past ten years. I fully believe that sales people have kept pace with others. But I believe the opportunities for sales people—marketing people, if you please—have expanded more since World War II than the opportunities for production and technical people. That does not take away from the opportunities those people have.

J. A. McIlnay's background has the elements that he feels today's sales and marketing executives need. Now vice president and director of the marketing program of the Ray-O-Vac Company, a division of the Electric Storage Battery Company, he also manages the Willson Products Division, Reading, Pa. He came up through the offices of eastern division sales and general sales manager after production and engineering experience

To explain this, I'll go back to the turn of the century when businessmen turned to what we called in those days a drummer to go out into the market place and create some attention for the goods they had to sell. We moved from that into a period when, through marvelous and ingenious engineering, we developed new and better products, generally one in its field to meet needs, and then some overlapping into the field of wants.

During that period, the opportunities for engineering and production people were greater than the opportunities for the people who sold goods. They took full advantage of that opportunity. As a result, engineering took us into a great field of development and expansion of products beyond even the capacity of production to handle for a period. Then we went into a period with great emphasis on production. Production men took advantage of that opportunity. That took us into World War II, during which, and for a year or two after, we claimed we had no need for salesmen or for marketing people. The demands upon our productive capacities were so great that the supply was not adequate for the demand.

As usually is the case, the pendulum swings as far in one direction as in the other. Soon we entered the period when this great productive capacity was more than we could digest. As a result, there is tremendous new opportunity, challenge and responsibility in the field of marketing.

Consequently we need sales people and the responsibility of those men to keep pace with that opportunity is very great.

Now we have kept pace with it as much as people in other phases of business, but we have not kept pace with it to the extent that we could and unless we keep pace with the opportunity as best we can, regardless of how it measures up to something we once did, we are falling short.

Would you say hail-fellow selling is no longer effective?

It has no place in marketing today. Back in the days of the drummer *(continued on page 78)*

How Congress looks at **tax cuts**

Impressive evidence presented at hearings may bring stimulative action. Here's outlook

CONCERN OVER THE IMPACT of high federal tax rates on the economy is being voiced by increasing numbers of senators and congressmen, both Democrats and Republicans.

The concern stems in part from the business downturn, which has been widely taken as evidence of the deadening effect high tax rates can have on business health and growth. It has been reinforced by a month of hearings at which witness after witness gave the House Ways and Means Committee graphic and specific instances in which tax rates have retarded or prevented business expansion.

It's still too early to say that Congress will do something to reduce the tax load this year. At the moment, the odds are still against tax revision, as the Administration argues that the money is needed for defense and that the economy will right itself without the use of tax stimulants.

But the disposition to do something is there. If the recession doesn't correct itself soon, there'll be a powerful drive in Washington to revise taxes as a business booster. If the recession gets worse, the drive might become a stampede.

Should tax revision come this year, most of the relief would go to individuals, particularly those in the lower income brackets. This is a congressional election year. This form of tax revision will not be publicly advanced on this ground but rather on the argument that the primary need for the present is to stimulate consumption.

But the likelihood is growing that any tax legislation this year would also include steps intended to stimulate investment. Among these would almost certainly be a small reduction in corporate rates; probably some special provisions scaling down the towering top-bracket rates, a major investment stimulus; possibly more liberal estate tax treatment; changes to help small business; maybe even a more generous depreciation allowance—all investment-oriented.

Whatever combinations of changes might be made probably would divert up to $5 billion or more back into the economy.

Such a tax-reduction program would not be much different from the sum of the proposals put before the House committee by the United States Chamber of Commerce. Speaking for the Chamber, Joel Barlow urged the committee to:

Reduce the 20 per cent lowest individual income tax bracket rate to 19 per cent immediately and eventually to 15 per cent.

Put a 60 per cent limit now, and a 40 per cent limit later, on individual tax rates which now reach up to 91 per cent.

Grant a one percentage point reduction in the middle income tax brackets.

Reduce the 52 per cent corporate tax rate to 50 per cent, with eventual reduction to 40 per cent.

Grant a considerably faster depreciation schedule.

This program, he estimated, would grant tax relief of about $3 billion the first year.

The history of the hearings of the Ways and Means Committee illustrates the ups and downs of congressional feelings on taxes. Last summer, House Democrats, worried that President Eisenhower would propose a tax cut in January and wanting to have something in the record to show the Democrats were there first, scheduled the hearings for this January.

Last fall, when Russia put her Sputnik into orbit, estimates of federal spending headed spaceward. Everyone flatly wrote off any tax revision this year. The scheduled hearings seemed pointless, a mere going-through-the-motions.

Then signs became clear that the economy was slipping, and the hearings took on a new look. Witnesses appeared with impressive testimony to show the damaging effects high taxes were having and to urge a systematic program of revisions to keep the economy strong enough to survive in the long intensified cold war period ahead.

Even before the 1958 session started, a few lawmakers were convinced that tax rates were hurting the economy and that the extra economic activity caused by tax revision would quite likely bring the Treasury enough extra revenue to minimize, if not wipe out, any initial loss. As the witnesses testified, and as members of Congress heard from distressed businesses and unemployed workers back home, concern over the impact of present tax rates spread. It wasn't long before Chairman Wilbur Mills of the Ways and Means Committee declared, "We must begin to think, not in terms of the priority of one spending program over another, but maybe that first priority must be given a tax reduction program."

Senate Finance Committee Chairman Harry F. Byrd of Virginia, while reasserting his demand for a balanced budget, agreed that present tax rates must start coming down soon. Treasury Secretary Robert Anderson, insisting that the economy would soon start turning up, conceded that tax revision might have to be considered if this prediction turned out wrong.

Witnesses gave the House Ways and Means Committee graphic and specific instances in which tax rates have retarded or prevented business expansion

ROBERT PHILLIPS

Chairman Mills: "We must think, not in terms of the priority of one spending program over another, but maybe that first priority must be given tax reduction."

(Left to right, Representatives Gregory, Mills, Reed)

A little later, Mr. Mills went further, and said: "Before the year is out, it may be evident to all of us that the economy cannot come back from the depths to which it has fallen under existing rates of taxation."

Other committee members, some on the record and some privately, agreed. They all indicated that late spring would probably be the time for decision, and that the number of unemployed would be an important barometer which Congress would read before making up its mind.

The cautious Fiscal Policy Subcommittee of the Joint Congressional Economic Committee said in its most recent report:

"Tax reductions enacted prior to determination of budgetary and economic trends might well require at a subsequent date tax increases or reimposition of severe monetary restraints to prevent further sharp rises in the general price level. Should it appear . . . that monetary action alone is inadequate to contain persistent recessionary pressures, tax reduction would be in order."

Whether or not taxes are reduced, the Subcommittee reaffirmed, "tax revision is always timely."

The President has said at recent press conferences that in a serious economic slump a tax cut could be "a very real, great stimulus on the economy." And he has said that "a small deficit" might well be better than a tax increase.

Though he has repeatedly maintained that the economy will turn upward before long, he has in effect unlocked the door to tax reduction as a weapon against recession if the downturn persists.

While groups pushing for tax cuts have different programs—for example, the AFL-CIO and the Americans for Democratic Action want Congress to confine itself to cuts for low-income taxpayers—the total push for tax reduction from both unions and business has grown considerably. If the combined pressure forces Congress to consider some action on taxes, then chances are that the resulting package will include something for everybody.

The stories the witnesses told the committee were so similar they were almost monotonous. But actually, it was the very unanimity that made the story so impressive.

In essence, what they said was:

High individual income tax rates not only remove initiative to do more and better work, but also dry up savings and capital formation by individuals. At the same time high corporate tax rates and unrealistically low depreciation allowances are making it impossible for firms to retain enough earnings. All this means that there's not enough money to replace worn out or obsolete equipment, for expansion, research, product development, and all the other things a dynamic economy needs. These conditions are particularly hard on small business, which is less able than larger firms to tap the capital market or to borrow from banks. The high income tax rates and tough estate taxes are also inducing individuals to sell out to bigger firms rather than try to hand closely held enterprises on to relatives.

The result: a stagnant economy; less expansion, less development of new products; loss of jobs; a failure to improve living standards.

● Lothair Teetor, former Assistant Secretary of Commerce, an official of the Perfect Circle Corp., and spokesman for the Indiana State Chamber of Commerce put it this way:

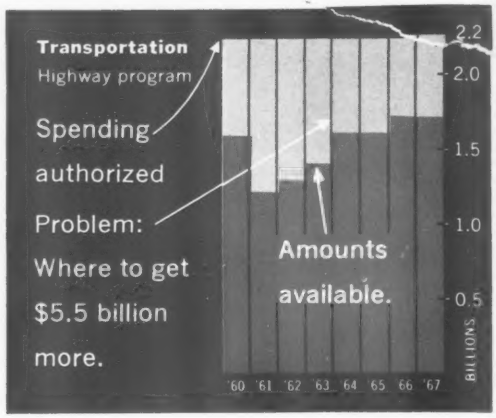
"It has been apparent for some time that the tax structure is a major factor in the current slump. Slowly but surely federal income and estate taxes are siphoning off every pool of personal wealth and destroying the source of funds from which business ventures obtain the capital to start and grow."

● Said Leonard E. Pasek, assistant to the president of Kimberly-Clark

(continued on page 44)

HOW'S BUSINESS?

today's outlook



AGRICULTURE

American farmers are having to step up production efficiency constantly to combat mounting wage rates and other rising costs.

As a result the farmer is more and more dependent on nonfarm sources for production goods and services. U. S. Department of Agriculture estimates are that about 60 per cent of total farm production expenditures are for items bought from business and industry, and the proportion is expected to rise.

Total farm operating expenses increased about 30 per cent in the past 10 years, according to USDA figures. But costs per unit of farm output increased only 15 per cent because farm production increased substantially. The probability is for greater production rates as farmers apply more plant nutrients. Yields will be greater and the cost of additional production will be somewhat lower than average costs.

Although rising cost rates are pinching farm income opportunities, the trend toward greater capital investments per unit of land and labor resources is inevitable in the struggle to minimize cost per unit of output.

CONSTRUCTION

The construction barometer remains unsteady from sector to sector.

Although predictions at the beginning of the year heralded a reasonably stable and moderately improved 12 months for the industry, the men of the construction equipment business feel otherwise.

Manufacturers and distributors of construction equipment, expecting tremendous demand from the interstate highway program, find themselves with excessive inventories as the road program continues to move slowly, and industrial and commercial building recedes.

An increase in road-building activity during the summer, however, is expected to relieve the pressure somewhat, but just how much new production will be needed still remains a question.

Over-all, new construction put in place is averaging $48.5 billion so far this year, compared to $47.2 billion in 1957. Although this represents an increase over 1957 of about three per cent, it is slightly below the expected '58 total.

Nonfarm housing starts are running about 11 per cent ahead of a year ago, so far averaging a seasonal achieved annual rate slightly higher than the 1 million average for the final quarter of 1957.

CREDIT & FINANCE

The decline in the economy is continuing. Latest economic indicators show marginal recovery in some sectors with others dropping markedly.

Noticeable was an easing in the cost of money. Housing felt the first rush of lower interest rate funds this month. Greater availability of mortgage funds may spur the lagging home-building industry.

Consumer credit is expected to remain stable during the remainder of the first quarter with a slight upward surge during the spring season.

The stock market has remained active and quite strong. Reducing margin requirements from 70 to 50 per cent has served to stimulate some stock market activity.

Treasury short-term bills have sold at a price equivalent to an average yield of 2.591 per cent; although some issues drew a rate of 2.858 per cent. In an effort to lengthen maturities of the debt a 32-year bond bearing a 3½ per cent rate was issued by the Treasury along with a three-year 3½ per cent issue.

Easing money rates, the financial plight of rails, and recessive trends have their paradox in continuing inflationary pressures which makes for an absorbing, but apprehensive, credit and finance outlook.

DISTRIBUTION

Retail trade, over-all, is holding up despite the slipping in general business activity. Consumers have responded well to lower prices offered in seasonal sales.

In many cases merchants have had to reduce margins to keep sales at a high level. In some lines, the small stores are finding it harder to make an adequate profit.

The grocery trade shows unusual stability. Last year, dollar volume crossed the $50 billion mark for the first time—one fourth of total retail sales. Tonnage figures also moved up. Currently, sales are up two per cent above this time last year.

Drug store sales records are still booming. Department store sales so far, are running about one per cent higher. Shoe sales are doing well, but

halting demand for clothing slows apparel sales.

Appliance and radio-TV dealers report sales levels better than opening weeks of 1957.

The public is still slow in buying 1958 model autos; however, used car sales have been perking up in recent weeks.

FOREIGN TRADE

The problem of communist trade competition—no less serious in the long run than the missile race—ties in closely with hearings being held by the House Ways and Means Committee to extend the Trade Agreements Act for five years.

In a special message to Congress, President Eisenhower said: "Reciprocal trade agreements negotiated since the advent of the Trade Agreements Act have helped bring a more vigorous, dynamic growth to our American economy. Our own economic self-interest, therefore, demands a continuation of the trade agreements program."

The proposal for extension of the Act also provides new authority to reduce tariffs and other trade barriers in return for reciprocal tariff benefits to assist our export industries, and at the same time continue and strengthen the provisions designed to safeguard our industries from serious injury by imports.

GOVERNMENT SPENDING

Hopes for a balanced budget for fiscal 1959 already are dim. The slim $500 million surplus estimated in the President's budget will be rapidly consumed—and then some—by growing demands for more spending for defense, education, highways, slum clearance and public works.

It may be impossible to clamp the lid on the $73.9 billion expenditures estimated by the President. They are likely to reach $76-78 billion.

The House Appropriations Committee is proceeding cautiously, both on current year supplementals and requests for the fiscal new year. Most legislators seem to be awaiting more definite public reaction before supporting or opposing more spending.

Pay raises for federal workers will be a key issue. Pay raises under Administration plans are $160 million for postal workers, $179 million for nondefense civilians, and $205 million for civilians in defense. Then there's $518 million for military pay increases both to implement Cordiner proposals and to offset the rise in cost of living. Strong pressure is mounting for more liberal raises.

LABOR

Many members of Congress facing close elections this fall had been apprehensive, and some still are, over the possibility of having to take a position on the controversial labor issues stirred up by the McClellan Racketeering Committee.

They would hesitate to vote for corrective labor legislation since unions might use their growing political power to strike back hard in November. On the other hand, a vote against corrective proposals might be misunderstood by other groups in the community. For these reasons, some legislators have been anxiously watching the barometer of public opinion.

Senator McClellan intends to keep probing for evidence of wrongdoing. The Senate has now given him $500,000 more for the job ahead.

Among other unions reported moving up for future hearings are the carpenters and the jewelry workers.

NATURAL RESOURCES

Industry, faced with increasing water demands and decreasing supplies, is turning more and more to pollution control and re-use of water as conservation measures. Treating industrial wastes to improve water quality is equivalent to increasing the available water supply. Main deterrent, however, has been its high cost.

Research and development in several industries are showing how to improve waste-treatment methods, reduce costs, and even recover useful by-products. Notable progress is evident in pulp and paper, steel, and chemical industries, to name a few.

Emphasis on the growing water requirements for domestic use, meanwhile, has spurred municipal sewage-treatment efforts. Some probably result from the $50 million federal grants program authorized by Congress in 1956. Other communities are going ahead on their own initiative, however, and this is the real reason for recent upward trends in construction.

Gradual reduction of federal aid for local sewage treatment with complete termination in 1960, is proposed by President Eisenhower, to return this conservation activity to the local level.

TAXATION

Tax relief for small business—corporate and individual—received more support during the recent Ways and Means Committee hearings than any other subject.

Here the strongest backing went to the Administration's proposals: to permit rapid depreciation under the 1954 formulas to up to $50,000 of used plant and equipment in any one year, to let corporations with 10 or fewer stockholders elect to be taxed as partnerships; to permit payment of estate taxes over a period of 10 years where assets are tied up in a closely held business; and to allow deduction from ordinary income of investment losses for new money put into corporate stocks.

But tax relief this election year will be geared closely to what can be done for individuals. And any reduction now is linked to the state of the economy. Continued stress would translate into tax cuts—an upturn would stop them cold.

TRANSPORTATION

The Congress has a knotty highway financing problem to solve if it hopes to hold ground already won for early completion of a national system of interstate highways.

Revenue in the Federal Highway Trust Fund will be insufficient to meet the amounts authorized by Congress through the fiscal year 1967. Instead of the $2.2 billion authorized for each year during this period, it is estimated that only $1.6 billion can be apportioned in 1960 and falling to $1.2 billion in 1961. At no time will it be possible to reach the accelerated rate authorized by Congress. The problem is critical without adding the $9 billion of additional authorization needed to cover increased over-all costs.

The desire to balance the budget, reduce taxes, and increase defense spending makes supplemental appropriations from the general fund unlikely, and opposition would be certain from one quarter or another to other alternatives such as stretching out the construction period, increasing taxes on highway users, and deficit financing.

continued from page 41

Witnesses cite instances where present tax rates prove detriment to the economy

Corp. of Neenah, Wis.: "The competitive enterprise system is our best missile, but it's sputtering. There's a leak in the fuel line"—the capital leaking out in uneconomically high tax rates.

The committee was impressed by testimony on personal experiences. For example:

● Francis C. Corley, president of the Corley Printing Co. of St. Louis: "I have in my office the blueprints for expansion of our business into a closely related specialty. Although not guaranteeing success, this plan has sufficient merit to attract our attention to the extent we have spent some money exploring it. Should I and my associates decide to enter into this new phase of our business, we would need to employ an additional 50 people. We would need to buy considerable material and equipment, and need additional space.

"Each of these things would have a stimulating effect upon the economy of our community and the nation. But, gentlemen, we have no intention, under the present tax laws, of going ahead with this plan. Why should we take the risk? We've got the normal and customary management headaches now—why take a chance and assume additional burdens for bigger headaches?"

● Robert Hamilton, president of Hamilton Equipment, Inc., a Pennsylvania firm wholesaling farm machinery, light industrial equipment and irrigation systems, said that, for the past five years, his firm's net profit before taxes ran between 2.2 per cent and 2.4 per cent, and its net profit after taxes was between 1.6 per cent and two per cent.

"This meager profit is eaten up by inflation," he declared, "and allows for no expansion in our sales effort. We can't afford to take on new lines for distribution, because it requires about $15,000 to introduce a new line."

● Actor Ronald Reagan, representing the Hollywood studio workers, warned that high income tax rates have dried up capital investment for film production and have induced top stars, writers and directors to make only one or two films a year. The result, he said, is that the American motion picture industry is producing about 100 fewer films a year now than 10 years ago, and that total earnings of actors have dropped from $33 million a year to less than $25 million.

● Vernon Herndon, manager of Chicago's Palmer House, said a survey by a nationally known accounting firm showed that federal taxes, plus the cost of record keeping required by the Internal Revenue Service, totaled $1.93 per day per room, whether the room was occupied or not. This equaled 25 per cent of the national daily average room cost.

● Fred J. Venner, speaking for the Arkansas State Chamber, told how he had founded the Southwest Manufacturing Co. in December, 1939, and had watched it grow over the years. But high tax rates prevented the accumulation of capital to finance further growth, he said, and in 1956, he had to sell stock and bonds.

"The difficulties I ran into in obtaining funds for business expansion were directly responsible for a heart attack I suffered," he recounted. "Moreover, the excessive costs of selling stock and high rates of interest on the bonds made our position as an independent firm untenable, even though the company was producing and marketing its product successfully." In mid-1957 he sold out to a larger firm.

The result, he said, was one small firm less, and "I wonder if the government is better off, taxwise, for my having decided to sell."

● Robert A. Ewens, executive vice president of the Wisconsin Manufacturers Association, told of a firm manufacturing electric appliances. The firm, he said, has had high annual sales, a triple A-1 credit rating, but hasn't been able to retain enough earnings to finance a new plant. When it found itself in 1956 with a high-cost, obsolete plant, it had to negotiate a loan to build a plant to replace the present one.

Lower tax rates, Mr. Ewens argued, would have permitted the firm to put by enough to replace its present plant. Then it could have used its borrowing capacity for expansion, which it desires but may not now be able to afford.

Witness after witness predicted that a business pickup would come from lower rates.

● Andrew J. Cothran, chairman of the tax committee of the American Cotton Manufacturers Institute, said "there can be no doubt that both the present high combined corporate tax rate and the steeply progressive individual rates are preventing an adequate flow of investment funds, especially venture capital, into new and expanding business. In fact, it may be stated flatly that this nation has a severe shortage of new capital, because the tax laws are designed to produce such a shortage."

● Robert P. Stacy, vice president of the Connecticut Light and Power Co., and president of the Connecticut Chamber, warned that "it is the high rates which create the demands for special relief provisions in the tax laws. It is the special provisions which are largely responsible for the complexity of the tax laws." Arguing that the 1954 tax cut reversed the 1953-54 recession, Mr. Stacy said "we are equally convinced that wise tax revision early this year would soon turn around the business downturn we are experiencing. . . . Renewed incentives to work, to save, and to invest will provide the source of capital needed to create the jobs of tomorrow."

● The business testimony got impressive academic backing. Cornell University Prof. M. Slade Kendrick pointed out that, to obtain a six per cent net, a corporate investment must yield a little more than 12 per cent. If earnings must be this high to justify an investment, he declared, "fewer investments will qualify. If the volume of new corporate investment declines, because of the high before-tax rate of return made necessary by the high taxes, the economy suffers."

Professor Kendrick suggested that the corporate rate be cut to 40 per cent or even 30 per cent.

As for individual rates, he said, the present schedule is "unrealistically high." He told the committee current top rates yield comparatively little revenue, discourage the making of income-earning investments, and are "productive chiefly of ingenuity in developing avoidance devices." A top of 65 per cent would be desirable, he declared.

● Harvard University Prof. Stanley S. Surrey, a Treasury official under the Truman Administration, argued that the present income tax structure consists of a tax base constantly narrowing and a rate scale

A LIGHT, CAPABLE "ANY JOB" COPIER AT THE LOWEST PRICE OF ALL!

An unheard of low price for an office copier! About *half the price* of other "low-cost" copiers! Yet the Bantam gives you all the extras of Verifax copying, does jobs other copiers can't touch!

Makes 5 completely *dry* copies of any document in 1 minute for 2½¢ each. Makes copies on white bond-type paper, card stock, printed office forms—front and back, if you wish. Makes translucent "masters" for whiteprint machines—even makes an offset master in 1 minute, using low-cost adapter. What's all-important, too, your Verifax copies are *accurate and complete*. All types of pencil and ink writing—even purplish spirit duplicator copies—are reproduced as readily as typed data. The new Bantam is a snap to operate, and, despite its low cost, as foolproof as an office copier can be. Mail coupon . . . or phone Verifax dealer for free demonstration. (Check Yellow Pages under "photocopying" or "duplicating" machines.)

Price quoted subject to change without notice

Buy 'em by the cartload—put one in every department! Your savings in typing quickly cover Bantam's cost.

Verifax Copying

DOES MORE . . . COSTS LESS . . . MISSES NOTHING

. . . . MAIL COUPON TODAY . . . .

EASTMAN KODAK COMPANY
Business Photo Methods Division, 343 State Street, Rochester 4, N. Y.

Gentlemen: Please send folder describing Verifax Bantam Copier and savings it makes possible. Also names of nearby dealers. 56-3

Name__________ Position__________

Company__________

Street__________

City__________ State__________

Kodak
TRADE-MARK

Tax relief on pension plans would be of aid to self-employed individuals

consistently rising. Each process, he declared, feeds on the other. As rates rise, different groups get tax preferences, "largely because of inherent congressional doubts as to those high rates." The new preferences narrow the base further, making higher rates necessary to raise the required revenue, Professor Surrey stated. He urged that the tax base be broadened by elimination of special preferences, and the rates lowered.

● Southern Methodist Prof. Charles O. Galvin warned that "high confiscatory rates are not conducive to sound business decisions but promote contrived arrangements whose common characteristic is that they border on artificiality." Like Professor Kendrick, he urged a 65 per cent top on individual income tax rates.

Many witnesses pointed out that one source of additional investment capital would be opened up if Congress would enact legislation to defer taxes on money set aside in voluntary pension plans by lawyers, doctors, engineers, small businessmen and other self-employed individuals.

"The self-employed," said the American Thrift Assembly, "comprise a valuable potential reservoir of new savings—a reservoir that cannot be fully utilized until the limitations of the present tax structure are altered."

Many small businessmen pleaded, not for special tax relief for small firms, but lower rates generally. They pointed out that 85 per cent or more of small or medium businesses are run not as corporations but as individual proprietorships or partnerships, and therefore would benefit particularly from lower individual income tax rates.

● Tinsley W. Rucker, president of the Dixon-Powdermaker Furniture Co. of Jacksonville and representing the Florida State Chamber of Commerce and other Florida industrial groups, said his own firm, employing some 140 people, looked carefully at the various plans for special tax relief for small business.

"All these schemes," he said, "have the same weakness—they reduce the tax load on business while it is small and then impose a heavy tax liability as soon as it starts to grow substantially. A program of orderly tax reform giving lasting relief to all business and all individuals is the answer."

Mr. Teetor, recalling his own experience on the government's Small Business Loan Policy Board, said private capital would be available for small business if federal taxes hadn't stripped investors and prevented small firms from accumulating capital themselves. "There is nothing wrong with small business that reasonable tax rates will not fix," he asserted.

Special small business tax relief still found many supporters. Arguing that larger firms find it easier to use their own profits for expansion or to float stock or borrow on long terms, several witnesses backed a bill by Rep. Curtis (R., Mo.) to exempt from taxes 20 per cent of a business' income, up to a top of $30,000 a year, if the money were used to expand the firm's capital assets or inventories.

Arguments also were heard for special corporate tax rate reductions for smaller firms, for faster depreciation on used equipment to help small companies buying chiefly used assets, and more liberal treatment of losses on investments in small businesses.

Many witnesses emphasized the hardships frequently imposed by the estate tax. They urged a 10-year spread in estate tax payments, now bunched in one year, or permission for individuals to buy in advance special certificates to pay their estate taxes later.

● James D. Tracy, attorney for the Kewaunee Manufacturing Co. of Adrian, Mich., told the committee that 21 individuals in four families own this successful company, which has annual sales of $10 million in hospital, school and laboratory equipment.

"The situation with respect to one stockholder," he said, "will illustrate the problem of all. The individual who owns the largest number of shares is now 79. He owns approximately 22 per cent of the stock, which has a market value of approximately $725,000. He has a total estate of approximately $1.1 million, so that his Kewaunee stock represents between 65 per cent and 70 per cent of his total estate."

In the event of his death, Mr.

people

buy

Scott Towels

for

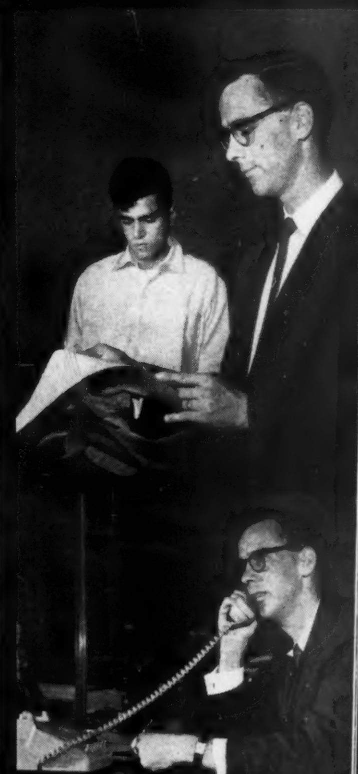
many

reasons:

Mr. Robert F. Scherer, Purchasing Agent, Dow Jones & Company, says:

"Scott Towels paid for their own change-over costs within six weeks at DOW JONES!"

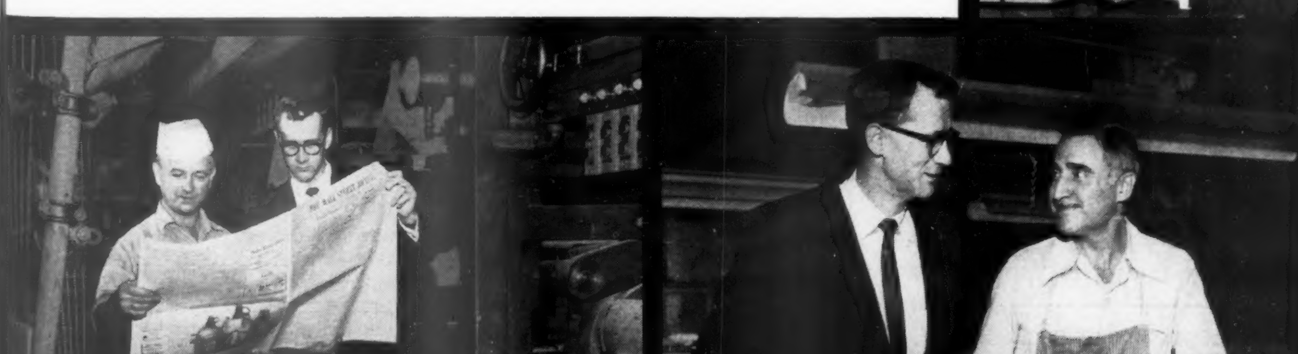
Dow Jones switched from roll cloth to Scott Towels for improved sanitation. They found that Scott Towels also cut maintenance costs—with the building superintendent reporting that Scott Towels have made his job easier! "But equally important," says Mr. Scherer, "is the savings realized." We estimated a savings of 23% . . . spent about $150 on cabinet change-over . . . and after checking usage, we find our savings to be 29%. This has paid change-over costs, inside of the first six weeks! Mr. Scherer adds that his firm is very pleased, too, with the service of the Scott distributor.



SCOTT PAPER

Call your Scott distributor today. He's in the Yellow Pages, under "Paper Towels." And watch "Father Knows Best" and "The Gisele MacKenzie Show" on NBC-TV.

Scott UHA Towels • Scott Multifold Towels-Singlefold Towels • ScotTissue



Estate taxes can break up farm working capital

Tracy said, the estate tax would be more than $300,000. Other taxes, administration expenses, and cash demands would total $200,000.

"It would therefore be impossible," he declared, "to pay taxes, administration expenses, claims and other cash demands without selling a portion of the stock unless sufficient time were allowed for payments to permit receipt of income by the estate with which to pay such obligations."

The American Farm Bureau Federation pointed out that farmers operate with a small amount of cash and liquid assets and a large portion of their assets in land, machinery, buildings, equipment and livestock. To meet estate tax obligations now, it said, heirs frequently must sell a portion of the farm or breeding herd.

Depreciation allowances came in for heavy attack as being unrealistically low, particularly when viewed in the light of the sharp inflation of the past 15 years. The committee was told that ridiculously long lives now assigned capital assets by the Internal Revenue Service frequently force firms to continue to operate high-cost or obsolete facilities.

● The Rev. William T. Hogan, economics professor at Fordham University, testified that, despite record steel industry earnings in recent years, steel companies are now pressed to find the funds needed to replace and modernize their plant and equipment, because the cost of the new equipment has been inflated to so much greater a figure than the depreciated cost of the original equipment. He estimated that in 1956, depreciation allowances taken by steel firms were some $300 million to $400 million short of the sum needed merely to replace plant and equipment, and that by 1960 they would be some $600 million short.

● Washington attorney Fred W. Peel estimated that, because of the shrinking value of the dollar and resulting unrealistic depreciation allowances, businesses getting their earnings principally from the use of depreciable assets might be paying an effective corporate tax rate of 70

His face lighted by the pile of "Bonus Phosphors", General Electric's W. C. Martyny developed the process that gives G-E customers more light from the start . . . more light throughout the long life of the lamps.

This new General Electric Bonus Phosphor gives G-E Fluorescent Lamp users 7 to 9% more light . . . at no added cost!

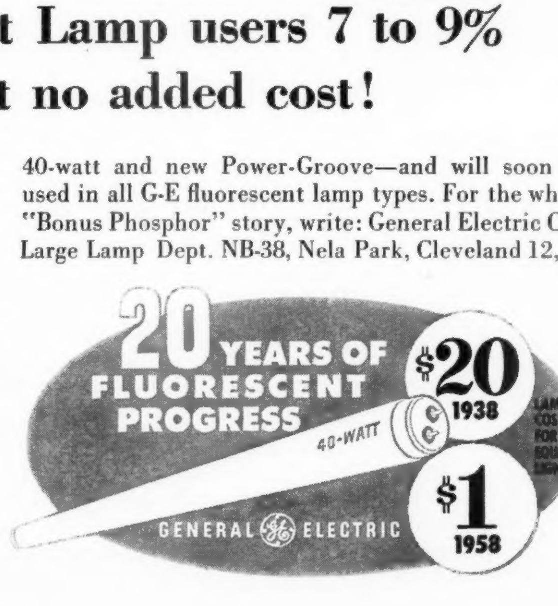
Because G.E. has found a way to throw out the small —and least efficient—phosphor particles and save just the bigger, brighter ones, you now get even more for all your lighting costs when you specify G-E 40-watt fluorescent lamps!

What Does This Mean To You? In factories and offices: added light worth ⅓ to twice your yearly lamp purchases. In stores and schools: 2 to 3 times as much added light as your yearly lamp purchases.

This "Bonus Phosphor" is now available in the 40-watt and new Power-Groove—and will soon be used in all G-E fluorescent lamp types. For the whole "Bonus Phosphor" story, write: General Electric Co., Large Lamp Dept. NB-38, Nela Park, Cleveland 12, O.

Progress Is Our Most Important Product

GENERAL ELECTRIC



CONGRESS LOOKS AT TAX CUTS *continued*

Tax relief seems likely to affect the lowest income bracket for individuals

per cent to 80 per cent instead of the supposed 52 per cent. New York accountant Maurice E. Peloubet estimated that actual depreciation allowances claimed on tax returns might be as much as $3.6 billion a year short of the real current value.

● The Cotton Manufacturers Institute warned that "the state of obsolescence of American textile machinery is much greater than is commonly supposed." Frederick T. Marston, president of the Kaumagraph Co., a lithography firm in Wilmington, Del., said his firm bought a press in 1935 for $31,400; replaced it in 1950 at a cost of $83,400. A twin press in 1954 cost $111,800. If the press were to be replaced today, he said, it would cost $128,000.

"The amount of depreciation which we had set aside on the basis of the original cost was totally inadequate to finance the purchase of the new equipment," he said. He related that, due to this inadequate allowance and the fact that high tax rates had prevented a build-up of retained earnings, the company had to borrow to buy the new press. "It does not seem to be a good method to borrow new money merely to replace old equipment," he asserted.

If Congress decides to do something about the tax structure, what shape is the revision likely to take?

A straight $50 or $100 increase in the present $600 individual income tax exemption has wide support as the easiest-to-explain and therefore the most politically potent package. But it also has powerful opposition from those who argue it takes too many taxpayers off the tax rolls and makes the entire tax structure less responsive to economic changes.

Some congressmen would like to split the lowest income tax bracket, providing a lower tax rate for the new lowest bracket. This has the disadvantage of being harder to explain to the voter. A likely compromise: some rate reduction, tailored to the lower and middle brackets.

There is growing sentiment for a reduction also in the top individual tax brackets. "We may be finally ready to take this very logical step," says one House Democrat, "especially if it's part of a package that has a lot for the lower groups."

Special relief for small business would probably be politically desirable, though the special corporate rate reduction isn't likely. More likely would be a spread-out in estate tax payments, some faster depreciation on used equipment, better treatment of investment losses in small business, and possibly some limited reinvestment allowance along the lines of the Curtis bill.

In the President's Economic Report to Congress this year he recommended that Congress "extend accelerated depreciation formulas to purchases of used property up to $50,000 in any one year; grant closely held corporations the option to elect the tax status of partnerships; grant taxpayers the option of paying estate taxes over periods of up to 10 years where an estate consists largely of investments in closely held businesses; and allow an ordinary loss deduction, up to some maximum amount, instead of a capital loss deduction, on original investments in the stock of small companies."

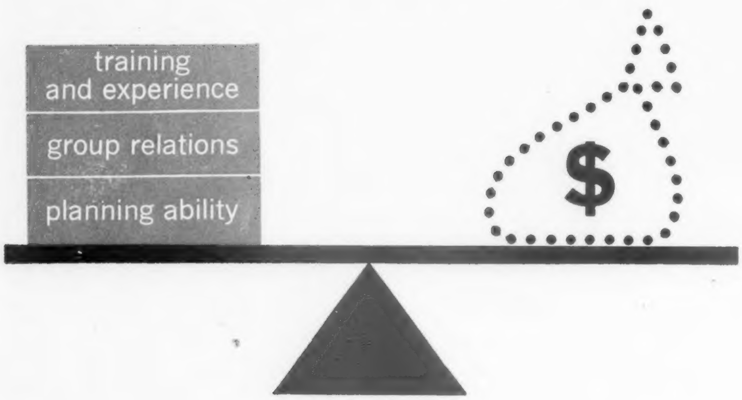
These recommendations, intended to give some tax relief to small businesses, have been made before, and, though Congress has not acted on any of the proposals, many members are in favor of these changes.

The President added in his Economic Report that really "broad reduction of the tax burden carried by small concerns" can't be made until "budgetary conditions warrant cutting taxes generally."

He added that "although such a cut cannot be proposed at present" the recommendations he was asking for "promise to remedy, with a minimum loss of revenue, . . . important specific handicaps under which small business firms now operate. . . ."

A couple of things the Treasury might propose as investment stimulants would probably face rough going on the Hill. For example, Treasury officials indicate that they might be inclined, in case of a bad recession, to try to increase the 1954 tax law's deduction and credit on individuals' dividend income, and to end all taxes on intercorporate dividends. Democrats, who made such an issue of the 1954 dividend law provisions in the 1954 and 1956 political campaigns, would never permit this. But they might favor some more rapid depreciation, even though they attacked this, too, in 1954, and would not be too happy about it now.—CHARLES B. SEIB

Management may be your best collateral



Here's why material assets are not the only consideration of today's bankers

THE MANAGEMENT STRENGTH of your firm—its caliber, techniques and growth potential—may be the determining factor which decides whether or not a bank will lend you money. This is a significant change.

Before World War II, ability to borrow depended largely on the existence of inventory or other assets and upon the maintenance of specified ratios of cash assets to current liabilities and of equity to total liabilities. Evaluation of management dwelt principally upon integrity, trustworthiness and character.

Now bankers are adopting techniques and standards developed by management experts for appraising all phases of your business and the men in charge of them.

This trend toward management appraisal in extending credit can work to your firm's advantage if you include it in your plans. To do that it is useful to know the reasons for the bankers' new techniques and the points covered. Among the several reasons for the change are these:

Growth needs in the postwar economy have increased the demands of almost all types of business for longer term loans. Expanding markets have stimulated expenditures and plans for plant and equipment. This has been further accelerated by the competitive drive toward automation and mechanization. This results in substantial increases in fixed costs. Larger amounts of capital investment are required for any given volume of sales.

This trend has meant that increasing numbers of loans are being extended on the basis of a firm's ability to repay out of future earnings.

These future earnings depend in large part on the caliber of management and its ability to anticipate and plan for the future.

In appraising management's ability to do this, your banker will be interested in two things even though his methods for determining them may vary considerably.

▶ The personnel who make up your management team.

▶ How efficiently your firm's principal management functions are conceived and carried out.

In evaluating personnel quality and potential, three groups of traits are regarded as most important:

Training and experience. These will be the easiest of the management factors to appraise. Executives will be interviewed for their specialized knowledge of techniques, methods, and tools—physical or mental. Their knowledge of latest techniques, developments, and research findings will be assessed.

Group relations. As a supervisor, the management executive is expected to provide leadership which motivates and develops the people under him. This is one area where he can be most creative, because handling people is a judicious combination of art and science.

As a member of the management team his ability to work toward common goals and with his fellow executives, even where goals may seem to conflict, will be assayed.

Planning ability. This is one of the most difficult qualities to develop and to measure in management, yet it is one of the most valuable contributions. It requires the capacity to think abstractly and to distill guidelines for the future out of incomplete data. The management planner must judge to what extent he can sacrifice time from coordinating current activities in order to make forecasts and plan future operations. He may sacrifice planning.

The banker-management expert who undertakes to judge how efficiently management functions are carried out has come to know enough about your industry and business so that he is a keen judge of what it takes to succeed over the years. He is able to compare performances of many similar businesses under differing conditions.

Although the management interview (supplemented by plant inspection) is the basic technique used to obtain the necessary facts, banks differ in their approach to the management audit. The interview can range from informal business contacts between banker and client to systematic, periodic surveys.

The Central-Penn National Bank of Philadelphia has developed the Management Spread Sheet, which summarizes extensive appraisal in a single rating form, and becomes an integral part of the bank's credit records. It is brought up to date regularly. It rates the managerial ability of the executives responsible in several important areas of management: financial, sales, production, personnel, top management.

Through interviews the banker rates management in each of these categories. The spread sheet itemizes in detail the points to be exam-

Now, International tractors with matched loaders and backhoes—complete units backed by unexcelled IH facilities for parts, service, and financing. Here, the new 330 Utility with International Pippin loader and backhoe.

NOW! MORE 'BEEF'

than ever before in a 35 hp rig!

It's terrific for trenching, loading, 'dozing! Now you can get an International tractor in the economical 35 hp class, with strength and stamina for high capacity and low maintenance. The new International 330 Utility has up to 900 pounds greater built-in weight than other tractors of similar horsepower—really *rugged* construction! Handle 1,000 pounds with a front-end loader, lift 4,000 pounds with rear-mounted fork, dig faster with heavy-duty backhoe.

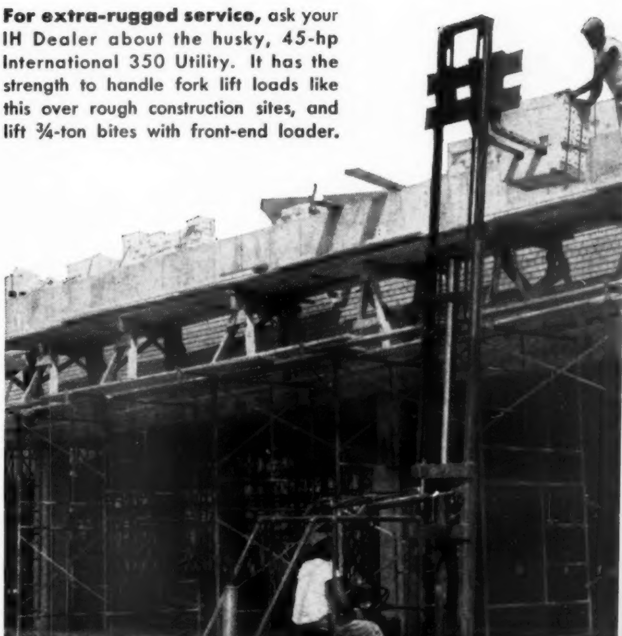
ALL the work-easing features of larger IH tractors are available—10 speeds forward with Torque Amplifier drive . . . power steering . . . job-tailored Hydra-Touch equipment control . . . Fast-Hitch.

See how heavy-duty design can cut your costs! Phone your IH Dealer. He will be glad to demonstrate. For free catalog, write International Harvester Co., Dept. NB-3, P. O. Box 7333, Chicago 80, Ill.

SEE YOUR
INTERNATIONAL HARVESTER DEALER

International Harvester Products pay for themselves in use—Farm Tractors and Equipment . . . Twine . . . Commercial Wheel Tractors . . . Motor Trucks . . . Construction Equipment—General Office, Chicago 1, Illinois

For extra-rugged service, ask your IH Dealer about the husky, 45-hp International 350 Utility. It has the strength to handle fork lift loads like this over rough construction sites, and lift ¾-ton bites with front-end loader.



By knowing points your banker will check you can add to his appraisal

ined. These are typical of the standards by which your banker will be appraising management quality.

Financial management

An efficient cost accounting system should be an integral part of a firm's operation. Cost per unit of output or production must be computed in order to price efficiently. Management must be able to estimate additional cost per unit for higher production quotas. Expense budgets and their associated cost systems should be employed effectively. The man in charge of finance should have a basic understanding of his company's capacity to absorb short and long term funds. He must be on guard against pressures to overexpand fixed assets. He should have an intimate knowledge of the money market. With the vast expansion of the use of installment credit, he must be able to show the merchandiser how to use this business tool to best advantage. Finally, he must participate in making decisions in other important management areas.

Sales management

Bankers feel that a well organized, aggressive sales department is a necessity for a growing concern. Markets can be expanded through effective selling devices supported by modern merchandising methods and an imaginative promotion program. A strong market research staff or service will alert the company to shifts in markets, as well as opportunities for development of new markets and new products.

Production management

The production man will be rated for his ability to utilize the latest methods, as well as the results he obtains. The banker-appraiser may visit your business or plant where he will evaluate its physical condition, its efficiency, equipment, layout, etc.

With a firsthand knowledge of the costs of production of many companies he will be able to tell whether you are a low or high cost producer.

In this age of growing automation a balance must be maintained between the use of automatic machinery and the need to keep fixed costs within practical limits. This will be one of the important checkpoints in the management audit.

Your quality control system may be inspected carefully. The production department will be expected to work closely with sales.

The banker in his study of production controls will look at the amount and quality of your paper work.

The banker will be particularly interested in the human element in production. The setup of production lines and systems reflects management imagination and ingenuity. Unusual adaptations of equipment will stand out. The work relations of all levels from management to supervisors and line employes will be observed. Mutual respect will be taken as a sign of a smoothly working labor-management group.

Personnel management

The management appraisal will check a number of the factors leading to healthy work relations. Among these are efficient selection of employes, careful procedures for integrating them into the work force, and some means for keeping tab on their performance. The appraiser will look at labor turnover, promotion records, pay scales and many other indicators of the state of your work force. He will attempt to find out whether your work force really identifies with the basic goals of the business. Records of work stoppage and collective bargaining negotiations will be scrutinized.

Top management

In general, top management is an art more vital than expert knowledge of business specialities.

The management audit will attempt to ascertain whether management is properly and adequately organized and staffed. A division of responsibilities is necessary for efficient operation and growth.

Top management will be tested for its ability to meet uncertainties and changing conditions. It must be flexible and adaptable.

Executive development is another important area. Young executives must be training and gaining diversified experience in preparation for top management responsibilities.

The banker will scrutinize closely any firm which builds its sales on one product or customer.

In the management audit, earnings are considered valuable guides to the efficiency of management and indicators of the future capacity of management. They are compared not only to sales and invested capital but to comparable figures of competitors. The maintenance of margins during periods of sales decline is considered another gauge of efficient management.

How your firm can help itself

Several steps can make management appraisal work for you:

1. Know the checkpoints and use them to make your own management audit. Make changes before they work against you.

2. Take your banker into your confidence. He can prove a source of valuable guidance because he has gained a great deal of useful experience in the art of management. Remember that he not only grants credit, but is an expert interested in the efficiency of your business.

3. Encourage your banker to make a management audit of your business. He may not call it just that, but nine chances out of 10 he has been using some variation of this technique to appraise the quality of management. He probably is an expert in spotting weaknesses.

4. The banker will want to interview you and your executives extensively. Prepare yourself and them for this interview. Try to distill the real management contribution you and your executives are making. Present this clearly and simply.

5. Review your method of financial reporting and its implications for future profits. Marquis G. Eaton, president of the American Institute of Certified Public Accountants, points out that the accounting principles you adopt can result in statements of widely differing incomes in a given year. He shows, for example, that a company which adopts the last-in-first-out method of inventory valuation will record, in a period of rising prices, less net annual income than an otherwise identical company which follows the first-in-first-out method.

Another example is that of a company which, under the diminishing balance method of depreciation, shows less income in the earlier years (and greater net income in later years) of the life of a given asset than if it had followed the straight-line method of depreciation.

6. If you don't have one already, employ a financial manager who knows the money market and its managers. He will know how to present your business in its best possible light when you need funds. He will be able to find alternative sources of funds.—HAROLD WOLOZIN

TOWELS WITH A SOFT TOUCH

Everybody knows Cannon towels. From Kannapolis, N. C., the 'City of Looms,' an endless parade of towels marches to market in a glittering caravan of colors and patterns. Huck towels were an early staple in American homes but long-looped terry cloth, with its thirsty drying qualities and soft touch, now stars as the merchandise leader.

The 60-year rise and reign of the Cannon commodity is a saga of American enterprise. It has annual sales of about $200 million in towels, sheets and other textiles. Among ingredients that labeled Cannon a 'business with a future' is its protection against loss by sound insurance. The pioneer in cotton looks to the pioneer in insurance—North America (INA)—for 'extra value' in a rounded program of protection and service, including fire, casualty and other coverages carefully tailored to its need. Your company, whether large or small, can get the same extra value—ask the INA agent or your broker.

Insurance Company of North America · Indemnity Insurance Company of North America · Philadelphia Fire & Marine Insurance Company Life Insurance Company of North America · Philadelphia

INSURANCE BY NORTH AMERICA INA 1792

WHY LABOR LAWS NEED CHANGES

These conflicts and rulings affect your wage costs and union relations

Mr. Reilly, what is wrong with our labor laws today?

There are two major branches of labor law:

In one group are the laws which deal directly with working conditions. In that category I would include minimum wage and maximum hour legislation, such as the Fair Labor Standards Act, popularly called the wage-hour or minimum wage law; the Walsh-Healey Public Contracts and the Davis-Bacon Prevailing Wage law, which apply to government contracts, and various other laws, both federal and state.

In this first group, the basic difficulty is that there are too many laws, they are too complex, they overlap and some have outlived their usefulness.

In a second group are the various laws which deal with collective action by employes. These cover the whole range of management-union relations. National policy in that respect is embodied in the Taft-Hartley Act. There is also the Railway Labor Act, which applies to airlines as well as to railroads.

There also are a good many state laws, some of them patterned after the old Wagner Act. Others deal with more limited activities, picketing, boycotts or labor practices which are in restraint of trade.

In this second group, the major defect of the Taft-Hartley Act has been development by the Supreme Court of the doctrine of federal pre-emption. This has, to a great degree, deprived the states of any control or local regulation over management and unions.

Could you explain this problem?

Briefly, the only specific delegation of powers to the state under the Taft-Hartley Act is in the field of compulsory unionism. The Act does permit the states to prevent compulsory union contracts entirely. But it is silent about other kinds of state legislation. About the only type of state action with respect to industries which affect commerce that the Supreme Court has been allowing in recent years has been state action to prevent violence in labor disputes.

What effect has this pre-emption doctrine had on state laws?

For businesses affecting interstate commerce—which today includes most businesses—the effect has been to nullify state laws attempting to restrict unfair labor practices. The Supreme Court has held that state courts have no jurisdiction where there is any conceivable remedy under the federal law.

Is this the no-man's land problem we hear about?

Partly. Although Taft-Hartley gives the National Labor Relations Board jurisdiction over any business which affects commerce, the Board has a policy of declining to assert its authority over businesses which are local in character and have a minor impact on interstate commerce.

The Board won't, for instance, handle any matter involving hotels. It disclaims jurisdiction over small retailers, radio or trucking companies, or even small factories.

As a result, these small or intrastate businesses have no access to state law because the federal government has pre-empted the field, and they can't get relief under Taft-Hartley because the Labor Board won't exercise its jurisdiction. Thus, they—as well as their employes and unions—find themselves in a no-man's land as far as legal protection in labor matters is concerned.

Recognizing this situation, the Supreme Court has said that the Board itself might cure part of the difficulty by taking broader jurisdiction.

In my opinion the only lasting remedy would be enactment of the Smith-McClellan bill, now pending in both Houses of Congress.

What would this bill do?

This bill would provide—and it's not limited to labor legislation—that no state statute will be declared invalid unless it conflicts with a federal act dealing with the same subject matter or Congress has expressly stated it meant the federal act to supersede state legislation.

Does the federal statute take precedence where the state may have a comparable law?

It does. Even where the state law

CARL PURCELL

is entirely consistent with federal law the Supreme Court, under recent decisions, has prevented the states from having concurrent jurisdiction.

What are other approaches to this issue?

The Administration has recommended that the states be given jurisdiction over any matters which the Labor Board declines to take.

To my mind, that approach would lead to an administrative agency with blanket authority to cede jurisdiction to the states irrespective of what the state law might be. Thus, it's of dubious constitutionality. Wholly aside from the constitutional objections, no administrative agency should ever be given power to grant or withhold relief unless Congress specifies some standard for such action.

There is another possible solution. It has been suggested that the standards which the Board has adopted for declining jurisdiction be specifically written into the statute.

Although in my opinion this solution is not as desirable as the Smith-McClellan bill, it would at least have the merit of making the law on Labor Board jurisdiction definitely clear and would prevent caprice or favoritism entering into a decision on this issue.

What do you find wrong with our wage laws?

In the field of maximum hours, minimum wages and child labor we now have 12 federal statutes which overlap and create confusion. They impose different standards, are difficult to understand, and many employers who enter into government contracts find later that they are

Gerard D. Reilly is one of the country's top labor law authorities. He is chairman of the Labor Law Section of the American Bar Association, and represents employers with labor problems in Washington. Under President Roosevelt he was solicitor of the Department of Labor, later was a member of the NLRB which administered the Wagner Act. In 1947, as counsel to the Senate Labor Committee, he helped draft the Senate version of the Taft-Hartley Act

Minimum wages have varied meanings depending on the law that is involved

subject to severe fines and blacklisted from further government work because of some innocent failure to comply with regulations whose applications differ.

Do you have some examples?

Take child labor. Under the general wage-hour law, an employer may hire anyone 16 or older, except in hazardous work. If the employer takes a government contract, he may not use girls under 18. He may be fined $10 for each day that he employs each girl under 18.

What about wage minimums?

The differences in wage standards are even more serious. Under the Fair Labor Standards Act, for employers generally, the minimum has been $1 an hour since March 1956.

Under the Walsh-Healey Act, covering government contracts of more than $10,000, Secretary of Labor James P. Mitchell sets the minimum rate for each industry. It is supposed to reflect the prevailing minimum for similar work in the industry or similar groups of industries in the locality. Many of these minimum rates are above the general $1 minimum.

On soft coal sold to the government, the wages paid under the contracts of the United Mine Workers have been determined to be the minimum rates. The rates vary according to union districts, and range from $1.40 an hour in Iowa to $2.34½ in Montana.

Consequently, employers who have never had government contracts before are likely to be trapped for paying subminimum wages even though they have complied with the Fair Labor Standards Act.

Even worse, the Secretary in re-

Business problems arise from federal laws which require payment of minimum wages higher than the general $1 minimum.

Under the Walsh-Healey Public Contracts Act, for instance, an employer in any of 16 industries must meet the minimums listed below when his employes work on goods being produced for the government.

At other times, for these same employes, the $1 minimum applies, as it does at all times for those in the employer's labor force who are not involved in government work at all.

Bituminous coal	$1.40 to $2.34½
Chemicals	$1.00 to $1.40
Batteries	$1.08 to $1.35
Electric lamps	$1.26
Iron and steel	$1.08½ to $1.23
Explosives	$1.20
Woolen and worsted	$1.05 to $1.20
Photographic equipment	$1.18
Blasting caps	$1.12
Paper products	$1.00 to $1.11½
Metal business furniture	$1.10
Office machines	$1.10
Envelopes	$1.08
Aircraft	$1.05
Paint and varnish	$1.05
Small arms ammunition	$1.05

Wages are boosted on our federal construction

cent years has taken the view that the language limiting these determinations to the prevailing wage in the locality is not binding if he decides to set an industry-wide minimum. Thus, some historic geographical differences have been wiped out.

This in turn has discouraged industry from building new plants in certain areas which badly need industrial development. It has tended to accentuate a too great concentration of industries in the big cities, with the resulting problems of taxation to meet traffic and educational difficulties.

What about the Davis-Bacon Act?

The Davis-Bacon Act is probably an even worse anomaly. This Act, passed in a period when wages were declining, was meant to preserve local wage standards under federal contracts for public construction. Today no legislation is needed to protect wage standards in the construction industry.

Wages have gone up so conspicuously that even the unions are realizing they have run into the law of diminishing returns.

In New York, for instance, the minimum rate for some crafts is as high as $4.50 an hour, with a rate of $3.25 required for laborers. The head of the building trades recently was willing to suggest a moratorium on wage increases.

As a result of the high wages now existing on federal construction projects, it has now developed that even the vast appropriations which have been made for the roads programs and other federal public works are not adequate to pay the estimated costs.

How are these wage rates set?

The rates are set by the Department of Labor and are supposed to reflect, for each craft, the prevailing wage being paid in the locality for the same work. Many contractors feel that the rates are not properly determined, but they have no recourse. The Department's decision is final. When charged with paying below the proper rate or, as more often happens, misclassifying workers and paying them the wrong rate,

Conflicting rulings may cause labor trouble and increase building costs

contractors cannot even obtain an administrative hearing and have no right to judicial review.

The Davis-Bacon Act is not even as fair as the Walsh-Healey Act, under which government contractors were given the right to judicial review of the Department's administration of the law. This was provided in the Fulbright Amendment of 1950.

Could you give some examples of questionable rulings?

There are many. On misclassification of workers, for example, a laborer handling lumber or pipe may later be determined to have done carpenter or plumber's work and, therefore, is entitled to the higher wages paid for skilled craftsmen.

Sometimes rates are set for an entire state based on wages paid in one city; sometimes they are set higher than those actually being paid. In one state, the Labor Department utilized rates set by the state's commissioner of labor who also was head of the building trades union council. The rates were higher than those being paid and also higher than the unions had agreed to in agreements with several contractor groups.

They had no proper basis, and there was no justification for their adoption by the Department of Labor for federal contracts.

Wages on heavy construction work, such as highways, are usually lower than rates on building construction, and the difference is usually recognized by contractors, unions and even government wage-setting agencies.

But the cost of a government dam rose $1 million when the Department of Labor decided that the contractor had to pay building construction wage rates and pegged them to rates being paid in a distant big city which were higher than those in the immediate community.

In another situation, a contractor building a dam also contracted to build the powerhouse. On the dam, he was paying the lower level of wage rates applicable to heavy construction.

On the powerhouse, it was decided he had to pay the higher building construction rates, which were about 10 per cent higher, although the work actually wasn't much different and the same type of labor was used. This ruling not only increased the cost of the powerhouse, it created a labor relations problem for the contractor who had to pay different rates for the same work at the same job site.

Are there overtime problems?

There are discrepancies in the laws. Walsh-Healey and Davis-Bacon require overtime premium pay for work beyond eight hours in a day. Under the Fair Labor Standards Act, overtime pay liability does not begin until the employe has worked 40 hours in a week.

What should be done about the Davis-Bacon Act?

Either abolish it or revise it so that it provides merely a minimum rate for common laborers.

It is obvious that skilled crafts today need no minimum wage protection. As a minimum reform, government contractors should have the same protection of hearings and judicial review under the Davis-Bacon Act that they have under Walsh-Healey.

What about the Walsh-Healey Act?

Many industries feel it should either be repealed or the wage and maximum hour provisions should be rewritten to conform to the standards which Congress has adopted with respect to minimum wages and maximum hours—that is, $1 an hour and 40 hours.

Some industrialists feel that it is being used, not to enforce true minimum wage objectives, but simply to enable unions to impose wages upon even unionized employers that they have not succeeded in obtaining through collective bargaining.

For example, in the electric lamp industry, which is heavily unionized, the wage the Secretary of Labor set was higher than the wage existing in many of the companies which had collective bargaining contracts with the unions. One union has been attempting for many years to force multiple-plant companies to bargain with it on a nationwide minimum. The companies had not yielded to these demands, but the effect of the government determinations on their respective lamp divisions has enabled the union to short-

Sylvania Reflector Fluorescents are now available in a wide range of colors and sizes.

Up to 60% more usable light . . . no increase in power costs with new Sylvania reflector fluorescents

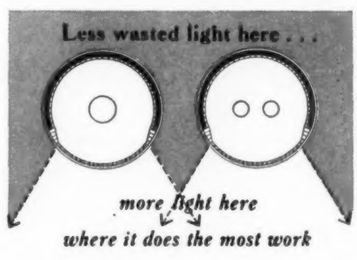
MORE LIGHT—aimed right where it does the most good. That's the built-in benefit of Sylvania's new reflector fluorescent lamp—the lamp that's stepping up lighting levels in commercial and industrial installations of all types.

To conserve normally wasted light—and send it back in the right direction—Sylvania engineers built an efficient reflector right into a fluorescent tube. Thus, Sylvania can now offer you the biggest lighting bargain available today. These new Sylvania lamps actually increase the relative brightness of directed light as much as 60% with no increase in wattage.

Need far less maintenance Sylvania's internal reflector reduces the light-stealing effect of dust and grime on top surfaces of lamps. It lets lamps maintain high output from cleaning to cleaning. And—because they don't depend on your ceiling as a reflecting surface—Sylvania internal-reflector fluorescents can help you stretch out painting schedules.

Step up your present lighting Wherever your lighting plans call for fluorescent lamps in strip fixtures—or replacement of fluorescents in aging fixtures—add the "better than new" advantages of the new Sylvania line of internal-reflector fluorescent lamps—for more light where you need it—for reduced maintenance—for low-cost replacement.

Sylvania internal-reflector fluorescents are now available in single-pin and bi-pin types from your supplier. For additional information, contact your Sylvania Supplier or write for free literature.



Sylvania internal-reflector fluorescent lamps are now available as direct replacements in standard single-pin and bi-pin types.

SYLVANIA ELECTRIC PRODUCTS INC.
Dept. 8L-7803—Lighting Division
60 Boston Street, Salem, Mass.
In Canada: Sylvania Electric (Canada) Ltd.
Shell Tower Building, Montreal

SYLVANIA *. . . fastest growing name in sight*

LIGHTING • RADIO • ELECTRONICS • TELEVISION • ATOMIC ENERGY

Confusion is caused by differences in laws and their interpretations

circuit collective bargaining in some degree.

What is the minimum rate in the lamp industry?

It is $1.26 an hour.

Does that mean that everybody has to be paid at least that much?

Even the floor sweeper has to be paid that if he has been employed for three months and works around the machines.

Unions are aware that companies with classification systems will have to raise wages for virtually the entire working force if they raise the lowest paid. Consequently, this becomes a device for forcing wages up above even the high collectively bargained level.

What would you do with the Walsh-Healey Act?

The Walsh-Healey and Wage-Hour Acts should be unified so that the latter's provisions on minimum wages, maximum hours, and child labor would also apply on government contracts. This would do away with what are really accidental and historic discrepancies between the two statutes.

What is wrong with the Taft-Hartley Act?

The two major defects, I would say, are these: During the Truman period, the Board construed extremely narrowly the provisions which deal with secondary boycotts, recognition picketing, and jurisdictional strikes—three major evils Taft-Hartley intended to correct.

On secondary boycotts, the Board, for example, held that, if a clause in the collective bargaining agreement excused the workers from handling or transporting goods which came from a company which the union listed as unfair, action by the unions to get those employes to refuse to handle such goods was not an unfair labor practice. Those contracts are called hot-cargo contracts.

Fortunately, the Board has reversed itself on these contracts, but the Courts of Appeal for the different circuits have disagreed as to whether the Board had the power to refuse to enforce them. That is now before the Supreme Court.

The Board also held for a long time that picketing by employes or unions which do not purport to represent a majority of the workers was not an unfair labor practice. The Board has recently changed its mind on that, but again the new doctrine probably will have rather difficult sledding in the courts.

With regard to jurisdictional disputes, the Board, by its own regulations, had emphatically weakened

The national $1 minimum wage policy is meaningless for a construction contractor who undertakes a federal project.

Under the Davis-Bacon Prevailing Wage law, the Department of Labor determines minimum wages which the contractor must pay. The minimums, which vary widely by community and occupation, are supposed to reflect prevailing wages. Some examples:

City	Job	Minimum Rate
Detroit	Plasterer	$3.58
Cleveland	Electrician	3.67
New York	Power equipment operator	4.50
New York	Laborer	3.25
San Francisco	Bricklayer	3.95
Newark	Painter	3.60
Philadelphia	Plumber	4.00
Toledo	Carpenter	3.62

Legislation needed to cope with union monopoly power, featherbedding tactics

the effectiveness of this statute. The Board has declined to act on jurisdictional strikes in the construction industry until the matter is decided by a private board of arbitration created by the building trades unions and contractor groups. The Board will act then only if the losing union continues to defy an award by this private arbitration board.

In industries with no private arbitration board, the Board has entertained these charges but it also engages in a preliminary proceeding in which the Board decides which union has the right to the work before issuing a complaint and treating the matter as an unfair labor practice.

As a result, a jurisdictional dispute can lead to litigation which may go on for years.

Do you feel that the Board interprets Taft-Hartley too loosely?

Yes. Most of the fault lies with the Board appointed in the Truman Administration. The present Board has construed the Act more literally, although it has been cautious about departing in any substantial degree from past policies.

Should this be corrected through legislation?

It would certainly be desirable to strengthen the secondary boycott and jurisdictional strike sections by legislation. In fairness to the Board, I should say that some of the loopholes which have been revealed in the secondary boycott section were not entirely due to Board decision.

For example, unions can impose a secondary boycott upon an employer who has been struck, not by going to the employes of customers or suppliers or transportation companies, but by going directly to the management of those companies and persuading them that if they want to remain on friendly terms with the union, they had better cease to deal with the struck employer. Legislation is certainly needed on that point.

What about the problem of union monopoly?

The most effective way to deal with monopoly would be to deal with the two methods by which unions have obtained monopolies—compulsory union membership and hot-cargo contracts. Compulsory unionism is inconsistent with the basic objective of the law, which is to prevent workers from discrimination whether they engage in or abstain from union activities.

I would favor a national right-to-work law. This could be achieved by knocking out the proviso to the Taft-Hartley Act which permits compulsory membership agreements unless they are forbidden by the states.

The monopoly by such unions as the Teamsters is largely brought about by hot-cargo contracts. If the court should sustain the current position of the Board or if Congress should act to outlaw hot-cargo contracts, that would do a great deal to end the monopoly the Teamsters have imposed on the transportation industry.

In the field of union restraint of trade it might be desirable to have legislation which forbids agreements with employers or groups of employers which limit the output of particular workers, excuse workers from using particular machines, or enable them to get pay for unnecessary work.

How would you cope with that problem?

I would make Section 2 of the Sherman Act, which applies to restraint of trade, applicable to featherbedding practices.

Are the President's proposals for amending Taft-Hartley adequate?

The President has made some sound recommendations for improving the secondary and recognition picketing provisions. But the message as a whole was disappointing. It merely scratched the surface of some of the major problems. It provided no means for curbing compulsory unionism or union monopoly.

The President's proposals also include some provisions which seem to me to ignore the real point of revelations of the McClellan Committee. The committee disclosures by and large were that union officials possess vast and irresponsible power over employes which unscrupulous officials can abuse.

Now, it is true that the President does recommend some control and disclosure over the use of union

Some proposals would not help current abuses

funds, but that is a minor part of the problem.

One of the things that should be done is to encourage legislation which enables the worker to have more voice in who is going to represent him.

In an area where some of the worst abuses have been disclosed—I am referring to the building construction workers—the message would deprive the workers of virtually all control by permitting unions to be certified by the Labor Board without an election.

Similarly, in the building trades, the President's message would permit secondary boycotts on a construction site by treating the subcontractors as an agent of the principal contractor. This would mean that if some contractors are unionized, pickets could force unions upon nonunion contractors by pulling the unionized workers off the job and thereby compelling the general contractor to fire the nonunion subcontractor.

Another ill-advised proposal is that striking workers who have been replaced should still be given a right to vote in Labor Board elections.

Strikes are frequently unpopular and some workers repudiate the union by remaining at work. The employer then hires other employes to replace the strikers. That is legitimate under the law now. Consequently, the strikers cease to be employes. Therefore, they have no interest in who is going to represent the employes in the new working force.

The President, by permitting them to vote, would pave the way for situations in which nonemployes might cast decisive votes in an election and thus impose on the employes a union which does not represent the majority of those actually on the payroll.

What has been the weakness with respect to welfare fund control?

The chief weakness has occurred in the funds where the employer pays a certain amount each payroll date to the union and the fund is then supposed to be administered

(continued on page 96)

EXPANDING MARKETS:

the young adults

These facts about our 18-24 year olds show business opportunities ahead

AMERICANS AGED 18-24, their number now near the lowest point in a quarter century, will soon be our fastest growing age group.

Numbering 15.5 million now, the 18-24 year olds will increase to 20 million in 1965, 24.5 million in 1970, and 27.5 million in 1975. Constituting nine per cent of total population now, they will make up 10 per cent in 1965, 11.5 per cent in 1970, more than 12 per cent in 1975. This age group will increase some 79 per cent by 1975, while total population grows only about 33 per cent.

This is a transition group, with the 18 year olds chiefly single persons, supported by their parents, while the 24 year olds are largely heads or members of their own families, with their own income. The group is important to manufacturing and trade firms, as they make up a large proportion of our newly formed households, and form buying habits, many of which persist for years.

Younger persons have smaller earnings than older persons, but they save less, devoting a larger proportion of income to consumer expenditures. Younger families spend a larger share for rent, automobiles, and food eaten away from home; less for owned homes, household operation, and medical care.

To look more closely at this 18-24 year old market, here are some detailed statistics on the group:

Spending units

The United States now has 50 million spending units, consisting of individuals or families who pool their money for purchases. Three and a quarter million of these spending units are either families headed by persons aged 18-24, or individuals aged 18-24 earning and spending their own money. Spending units headed by 18-24 year olds are expected to reach 4.2 million in 1965, and 5.8 million in 1975.

Spending units headed by persons aged 18-24 will account for some $15 billion of this year's $285 billion consumer expenditures. By 1965 the 18-24 year old group should lay out about $25 billion of the $390 billion consumers are expected to spend in that year.

Most new spending units are made up of 18-24 year olds, as 61 per cent of the first marriage grooms, and 64 per cent of the first marriage brides are in this age group.

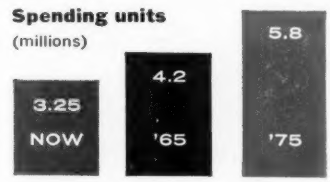
The number of marriages is directly related to the number of persons aged 18-24, and with increasing numbers in this age group, the number of marriages, now 1.5 million per year, is expected to reach 2 million about 1965, and 2.5 million about 1970.

New brides mean new homes, so the rising marriage rate should be

New brides
mean
new homes

'58 - **1.5** million per year
'65 - **2.0** million per year
'70 - **2.5** million per year

accompanied by increased home building activity. Renters make up about 65 per cent of the households headed by persons aged 18-24, so there should be increased demand for rental housing. However, as persons of this age group become a few years older, a large proportion will wish to buy homes, and there should then be increased demand in the home buying field.



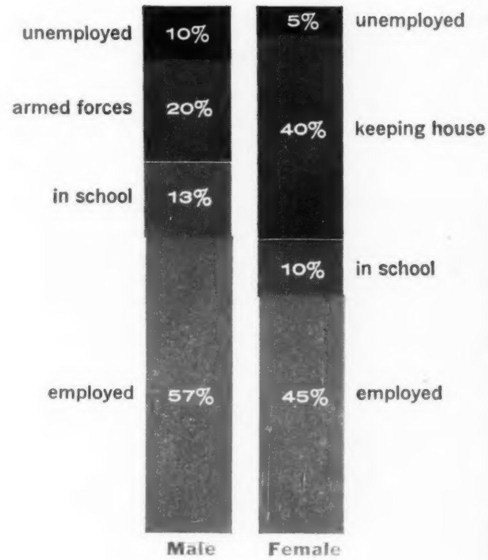
Employment

Substantial numbers of the 18-24 year olds are at work. Among the males, 57 per cent are employed, 13 per cent in school, 20 per cent in the armed forces, and 10 per cent are unemployed, voluntarily idle, or unable to work.

Among the females, 45 per cent are employed, 40 per cent keeping house, 10 per cent in school, and 5 per cent are unemployed, unable to work, or voluntarily idle.

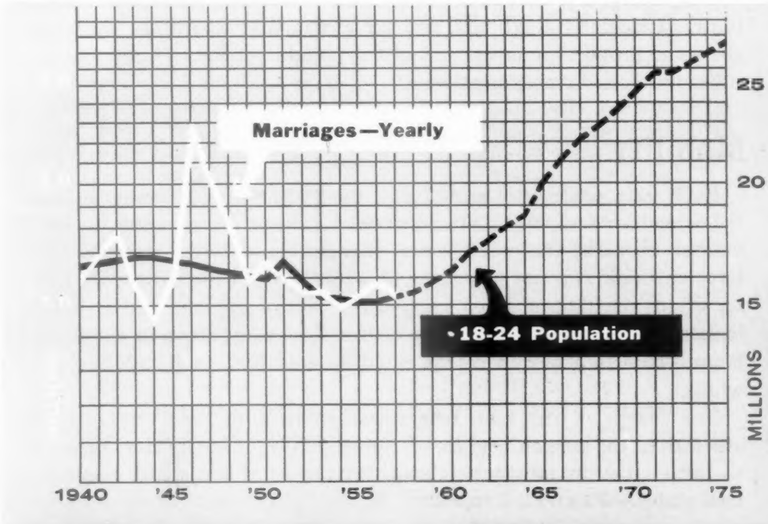
Employment status of 18-24 year old women depends largely upon marital status, as 65 per cent of the single women of these ages are at work, but only 30 per cent of the married women.

Ten per cent of the employed males are in the 18-24 year age group, and 16 per cent of the employed females are in this age group. Reflecting their limited experience in the labor market, males of this age group, compared with male workers of all ages, hold a considerably smaller proportion of the professional, managerial and craftsmen positions. A larger proportion are employed in clerical work, and as factory operatives, truck drivers and laborers. Among the 18-24 year old females a smaller proportion is in managerial, service and factory operative positions. A considerably larger proportion is clerical employes.

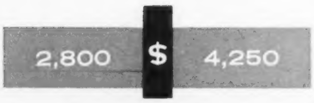


Income and assets

Just beginning their working careers, most persons aged 18-24 have relatively low incomes. The 1955 median income, before taxes, of spending units headed by persons aged 18-24 was about $2,800, compared with a median of $4,250 for spending units of all ages, according to data of the Federal Reserve Board. Some 55 per cent of these younger spending units had incomes under $3,000, compared with only 33 per cent of

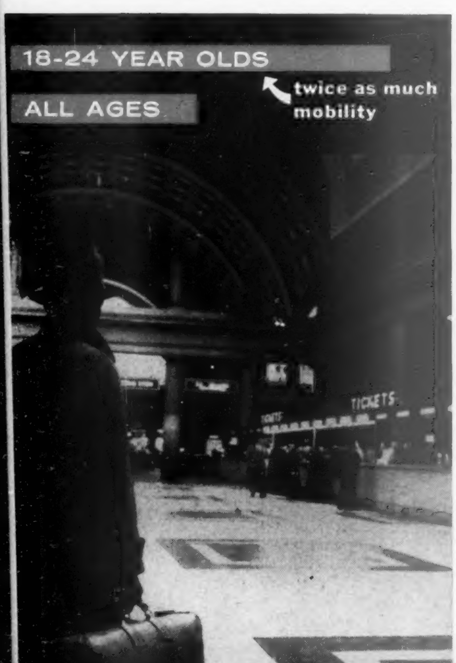


Median yearly income comparison—1955



18-24 all ages

- More food eaten away from home
- Spend more for autos, especially used cars
- More clothing for children under two



all spending units. Incomes of $7,500 and more were reported by only two per cent of the younger spending units, but by 17 per cent of all spending units.

However, a larger proportion of the income of those in the younger group is used for consumer spending, as they save less, and also pay a smaller part of their earnings for income taxes.

Assets of the younger spending units were relatively low, with 59 per cent reporting less than $200, and only one per cent having assets of $5,000 or more.

For all spending units, 41 per cent reported assets under $200, and 13 per cent reported assets of $5,000 and more.

Younger persons also have less personal and mortgage debt, use installment credit less often, and have fewer life insurance policies, stocks, savings bonds, and savings accounts.

However, 63 per cent of these younger families have automobiles, including 2 per cent owning two or more cars. About 20 per cent of these cars were purchased new.

Expenditures

The allocation of expenditures by spending units headed by persons aged 18-24 differs considerably from that of other age groups, according to data of the Bureau of Labor Statistics—University of Pennsylvania study of consumer expenditures.

Families headed by these younger persons spend a greater than average proportion of total expenditures for food eaten away from home, and for tobacco; a smaller proportion for food prepared at home, and for alcoholic beverages.

These younger families spend a larger proportion for rented dwellings, and for furniture and household equipment, but a smaller proportion for owned dwellings, and for fuel, electricity and household operation.

They spend about the same proportion for clothing as spending units of other ages, but a considerably higher proportion for clothing for children under two years of age, reflecting the large number of small children in these families.

Spending for toilet articles and preparations is greater than average, but barbershop, beauty parlor and other personal service, and medical care spending is less than average.

Younger spending units devote a greater proportion for motion pictures, spectator sports, and other admission amusements, but a smaller proportion for newspapers, magazines, books, and for the purchase of radios and television sets.

They spend a greater than average proportion for purchase of automobiles, particularly used cars, and for automobile operation, and about the same proportion as the rest of the population for rail, air, bus and other purchased transportation.

Mobility

Each year substantial numbers of the 18-24 year olds enter or leave the armed services, begin, attend or finish college, marry, enter the labor market, or make the employment changes characterizing recent labor force entrants. It is not surprising that this group is the most mobile sector of our population. Each year 40 per cent of the men and a slightly higher proportion of the women in this age group move to a different house. This is about twice the mobility rate for our population as a whole.

One fourth of the men who move go to a different state, as do one fifth of the women who move. Substantial numbers of the movers go to large cities in industrial states, leaving rural areas and nonindustrial states.—Fred D. Lindsey

MORE FROM RESEARCH *continued from page 35*

High motivation and changes in the setup produce improved scientific work

freedom to follow through on his ideas. He must have equality of expression. My men always argue for their views. Anyone here who continually agrees with everything is eventually looked on with suspicion. Holding down contrary opinions is the most fatal thing you can do."

Not all scientists can be put in a mold, the Admiral adds. "Some are motivated by money, some by prestige, some by being able to publish their papers, some by being able to see the effects of what they do."

Most personnel administrators in industry agree that where at all possible, compensation, reward or incentive should be adapted to the individual. But, as one executive points out: "It's difficult to say that a bench scientist has contributed more to the company in helping to improve a product than has the star salesman who has made a brilliant sale to a competitor's customer." Another personnel manager says: "Your engineers are only one leg of your operation. You can't afford to favor one leg over another. If you have some special treatment for the engineer, he will want to stay there and not move up the line."

Many companies, however, are looking into new ways to make sure their technical people are motivated and used to best advantage.

There is particular emphasis in the nonfinancial means of stimulating productivity.

Some of the following ideas are being used. Research has suggested others as potentially useful:

Longer hours for young scientists

A number of studies have shown that scientists make some of their most notable achievements when in their 20's or 30's. As age increases beyond 35 or 40, the average output of great discoveries declines.

Many a man in his 20's and 30's is willing to give more of this creative time to his work especially if he can earn more at this time when costs of family additions, home buying and insurance are high.

However, as Donald Pelz, of the University of Michigan's Survey Research Center notes, if a high level of motivation can be maintained, it's possible that research output can be sustained over a long period of the scientist's life.

Other researchers have suggested that after age 35 or 40, creative talents are replaced by talents required in judging and appraisals.

"In our studies of professional scientists and scientific personnel, we are . . . convinced that motivation plays a key role," Dr. Pelz says. "Research productivity cannot be enforced. Rather, it must come as a product of the enthusiasm which an individual feels toward his work."

His studies have shown that people who place high importance on the chance to contribute to basic scientific knowledge, the freedom to follow their own ideas and the opportunity to use their ability perform "significantly better than people who are weak in this regard."

Regrouping research workers

"A new grouping of individuals will almost by definition bring a new set of skills and approaches to bear on any problem" according to Dr. Pelz. "It may be that after a group works together closely for two or three years what they can gain from each other as unique individuals has been exploited. This suggests that a research organization should avoid crystallizing its structure. Under pressure to provide promotions, a laboratory may be tempted to create an elaborate structure with several layers, many small sections and many supervisory slots. This freezes the group structure. A man who has gained status by being put in charge of a group may resist the loss of face if the group is broken up and reassembled."

The director of one industrial laboratory in England makes a practice of reshuffling the lab from top to bottom every few years.

Dr. Anne Roe of New York University, an authority on creativity among scientists, suggests people of one discipline should be kept in touch with those in other fields.

Related studies by the Survey Research Center also show that scientific performance is high when individual researchers enjoy daily contact with persons of different values and experiences. But it helps also to have contact with a colleague of like discipline who can understand and support new ideas.

In one organization where the study was made, research committees of four or five people with distinct skills relevant to the problem at hand worked successfully together. Each scientist could gain from

Trained supervisors get better results from scientific personnel

talking with the others, but each had a particular area of responsibility that was his alone.

Titles for scientists

It is generally agreed that intrinsic motivation—that which is supplied by the work itself—is more effective than rewards which come from the work, such as salary, higher position, publicity, appreciation by others. However, there is no question the various rewards have their values, too. A number of companies have formally elevated technical people to higher places on position and salary scales though they were not doing administrative work. At E. I. du Pont de Nemours & Company, for example, the title "Research Associate" is used. According to T. E. Weissinger, salary classification manager, "Some of our departments have found it desirable to establish a series of professional positions equivalent to supervisory positions in research. Research Associate, or similarly titled positions, are established in the same salary classes as the supervisory positions of the laboratory. This practice provides promotional opportunities for those not desiring supervisory work and possibly not suited for it."

Dr. Morris I. Stein of the University of Chicago, another authority on scientific creativity, reports that Ph.D. chemists in industrial laboratories he surveyed said that creativity could be stimulated most effectively by more money, more responsibility, larger research staffs and opportunity to attend scientific meetings, in just that order.

Housewives as part-time workers

As the recent government survey discovered, a high percentage of scientists in both industry and government thought they were underutilized and complained they spent a large part of their time on routine and nontechnical tasks.

Any move that frees an engineer or scientist from routine and lets him do work for which he is best fitted is bound to increase technological potential. Companies are turning to several sources for technical and clerical assistance for their engineers and scientists. Some have hired engineering and science majors from nearby colleges as part-time workers. Others have upgraded shop employes by special courses or by paying for formal outside schooling. Women computing machine operators have been substituted for engineers who were originally assigned to this work. Sometimes job specifications call for engineers when lesser-educated employes could handle the work.

The President's Committee is encouraging industry to help meet its current needs by reviewing its hiring and recruiting policies and job assignments with a view to hiring women technicians, locating promotable personnel, providing on-the-job training.

One half the total increase in the labor force in the next decade will be women. "Obviously, steps must be taken to break down employment barriers to women in science, engineering and the technical fields," the Committee has said.

K. L. Holderman, assistant dean of Pennsylvania State University's College of Engineering and Architecture, says a large force of technical support personnel for scientists

Conferences on improving utilization of scientists and engineers will he held throughout the country this spring. They will be sponsored by colleges, businesses and professional groups under auspices of the President's Committee on Scientists and Engineers. Here are confirmed places and dates:

Knoxville, Tenn.; March 13-14
Omaha, Neb.; March 14-15
Lafayette, Ind.; March 25-26
New Brunswick, N. J.; April 2-3
Atlanta, Ga.; April 3-4
Bozeman, Mont.; April 14-15
Troy, N. Y.; April 21-22
Minneapolis, Minn.; April 25-26
East Lansing, Mich.; April 25-26
Peoria, Ill.; May 6-7
Philadelphia, Pa.; May 13

and engineers is a must. He urges that colleges grant associate degrees to students graduating from a two-year curriculum for training engineering technicians.

He also suggests that qualified technicians be given affiliate memberships in professional or technical societies as a means of recognition.

The President's Committee on Scientists and Engineers is promoting several projects to improve the curricula and status of technical schools and supply them with more and better teachers.

Psychology for supervisors

"The supervisor of technical personnel," says Dr. Pelz, "can play a significant part in encouraging high motivation and performance, particularly in his younger personnel during their first few years of employment. The best pattern, however, is a difficult one for any supervisor: He must steer between a policy of complete hands off and one of overdirection. He has to maintain close interest in the young man's work, at the same time giving him a fairly free hand in reaching his own decisions."

Based on his study in 20 scientific laboratories, he reports that motivation and sense of progress toward scientific goals are stronger under laboratory chiefs who are highly competent themselves and who work with, rather than direct, their subordinates.

Admiral Rickover says he uses a sort of mental direction to guide his men in their research. He employs indirect praise and cajoling to soften his own admittedly gruff, demanding personality.

A study by Deutsch and Shea, Inc., technical manpower consultants, found that engineers work more comfortably with minimum supervision. The engineer's mental makeup is likely to be directed toward a specialized area. Personality tests show he normally has concentrated on his specialty at the expense of his development as a social animal. Often he's short on human relations know-how.

Since most scientists and engineers place great importance on intangible aspects connected with their work, such as recognition and respect, the manager who understands human relations and psychology can be better equipped to get the most from his men.

Make reports to professionals

Engineers and scientists have a skeptical attitude toward many management practices affecting their work, the University of Michigan's Bureau of Industrial Research found. They realize that new mem-

A stimulant to scientists is provided by an opportunity for further education

bers of an organization have to learn what management policy is, but they don't accept it without question. They want to know the reasoning behind clerical, accounting and reporting procedures and the standards used to pick or turn down programs or projects.

Prof. John Riegel, director of the Bureau, suggests that management consider these steps in trying to foster top performance by scientists and engineers:

Better break-in of new employes in technical fields. Adjusting to company routine is difficult for new men. So information on company organization, personnel practices and other matters can be fed to them a little at a time over several months.

Improved appraisal of individual performance and salary. Nonsupervisory scientists and engineers are quite aware of what's paid in other fields and would like to know how they stand with their company and just how the company arrives at the figures.

Recognition of individual accomplishment. Many nonsupervisory personnel don't know what management thinks of their work. Here are some typical responses surveyors got: "The original ideas of research people are not recognized." "Our immediate supervisors do not report our good work to the higher ups." "Recognition would assure me of my value to the company."

Not only praise, but criticism, too, is needed. Note the remark of an oil company researcher. "They (management) are so considerate and so polite to us that they never tell us when we are doing wrong."

A few companies have adopted newsletters pointed strictly to the professional employes which tell exactly what company plans affect their jobs. The newsletters tell about the budget for research for the quarter, how the business is doing, where the emphasis will be, what the goals are and who will carry them out.

Further education

L. A. Bain, superintendent of engineering training for Western Electric Company, maintains that a company's training program can provide "substantial impetus" to its engineers. In 1958, 2,000 engineers, about one third of the company's total engineering force, will take part in educational courses to help increase the productivity of new engineers and enlarge the knowledge of experienced men.

Western Electric is not alone. Most companies today have programs for industrial training to orient the engineers and scientists to specific technology of the industry and to keep them up with latest developments or programs for further graduate education at regular educational institutions. The trend is toward more of both.

AC Spark Plug is one of several companies that teach employes creativity. The AC program has four parts. Employes' creative talents are tested. Courses are given in the creative approach. Employes are assigned where their creative abilities can best be used. Communications channels are opened to provide clear paths for ideas to reach management.

According to the federal survey of attitudes of scientists and engineers in government and private industry, 85 to 90 per cent of those who had training through their organizations said they believed it helped them do a better job. Three out of four industrial respondents and three out of five government people said they thought further management training would help them improve in their jobs. Half the industrial and two thirds of the government respondents thought further technical training would be beneficial. Almost all of those surveyed thought their organizations should grant leaves to take graduate work if it would make them more valuable to the organization.

As one engineer commented, "The company that doesn't provide education opportunities is on the way out."

Papers, bonuses and equipment

Only about two thirds of the industrial engineers and scientists surveyed by Booz, Allen & Hamilton felt they have satisfactory opportunity for self-development by publishing papers. This is one important means by which professional people can gain recognition and prestige among their associates in addition to contributing to the store of technical knowledge.

As one personnel executive explains it: "Many companies now are afraid their secrets will get away from them, so they restrict their

people from presenting papers. But these people want to get out with their colleagues at scientific meetings and give papers. They want to be recognized, not as a fixed overhead charge or a research drudge, but as a part of the team."

In the government survey of attitudes, 81 per cent of the industry sample agreed that professional recognition was important. And the Booz, Allen & Hamilton survey discovered that nearly half of those answering felt they get no professional recognition or only marginal recognition. However, in scientific circles the term professional recognition has acquired an external frame of reference for recognizing excellence, such as awards from professional societies.

At any rate, management can give scientists and engineers recognition in a number of ways: allowing them to publish papers, granting awards for outstanding work and printing their names in the company newspaper.

Recognition in financial form is usually welcome, too. The government survey of attitudes found that 69 per cent of federal and 71 per cent of industry scientists and engineers said that if they were selected to receive an award for superior performance, they would prefer cash to an honorary award.

One of the country's largest employers of scientific personnel has a little-known special bonus system under which outstanding contributors are rewarded with a generous sum apart from other forms of compensation.

There's danger in awarding a big bonus one year and nothing the next, one personnel man points out, if the scientist is at work on experiments that may take years to complete. Bonuses should be spread over a few years to avoid discouragement and a bigger tax bite.

Though freedom is frequently stressed as essential for productivity, it is only when freedom and facilities are mixed that productivity excels, research has found.

As one electrical engineer observed, "You can't get by today with Tom Edison's work shop." Tremendous expenditures for all sorts of scientific equipment, and instruments from electronic computers to cyclotrons will be necessary to keep scientists and engineers supplied with modern tools of their trade. Productivity in almost any science now can be boosted with the latest facilities. And as one personnel man remarked: "I know of scientists in one modern industrial lab you couldn't hire away from that equipment for any amount of money." END

TOMORROW'S SALES *continued from page 39*

A company should take these steps to prepare its sales people adequately

and to some extent on until rather recent years, the back-slapping, story-telling, congenial, friendly man or woman with a good personality seemed to get along pretty well in selling. We have moved out of that kind of selling.

People with whom we deal today at the retail, consumer or what-have-you level are much broader in their thinking, their understanding, their experience and in their knowledge. They respond now to an intelligent analysis, to a proper approach to human behavior. The person doing the selling must swap benefits rather than take all and give nothing.

Therefore we now need a professional type of salesman; a man who is analytical, who is devoted, who is conscious of his calling, who has a knowledge of business economics and psychology and the needs and wants of people and how to motivate them and activate them and so on.

What are the weapons of this new, scientific sales appeal?

I think I'd spell them out this way: a knowledge of business and its varied problems; a good understanding of human behavior, as a result of proper training rather than because of trial and error discoveries; and an intelligent understanding of and use of the things that move people or motivate people.

Will these elements be needed in the future too?

Relatively we are in the early stages of the great need for these things. I believe our need for them will increase rather rapidly over the next 25 years.

Is business generally doing the proper job of equipping sales and marketing people with these new skills?

We're still not doing as satisfactory and adequate a job as we need to do, but we have made tremendous strides recently. During the past three years, the so-called "marketing concept" has sprung up in business. It is the result of a consciousness on the part of business generally of a need to approach all phases of selling on a different basis than has been done before. The recognition of that need and the doing of something about it is improving our marketing management in American business a great deal, but we have a long way to go.

What are the main steps a business should take to make sure that the preparation of its sales people is adequate?

An individual company should make sure first of all that its marketing management personnel is conscious of current and future needs in training, understands the modern concept of marketing, and then that the marketing management group devises and conducts a training program among the company's sales people which is tailor-made for that organization.

I don't want to discount the value of professional and consulting men in sales training. They do a great deal of fine work. But today any organization needs to have its own tailor-made program of personal development among its sales people.

Can you describe your company's program briefly?

Our program for personal development of sales and marketing people is built around a continuous process of our own prepared weekly letter and bulletin material, a series of regional and district meetings devoted to personal development for sales people exclusively. Once a year we hold a general conference in which all sales people participate. This again is designed and conducted entirely for personal development.

I stress the point that it is designed and conducted expressly for personal development to illustrate that it is important to take out of the usual routine and rubber-stamp format of a sales meeting all of those things which can be taken care of elsewhere. The old pep rally type of meeting where products and programs and promotions are presented with great color and a ruffle of drums may, in some form or another, have to find its place in the program for the introduction of a product or program. But time must be set aside for quietly dealing with questions of human behavior, motivation, business economics and personal development and improvement. We have learned a couple of important facets of this:

One is that invariably, if the program can be obtained and then tailored and disseminated through our

own organization, it is more effective. It seems to be more real and more personal to the salesman.

The other is that men learn best from each other, particularly men who are properly directed and steered and programed. They have confidence in each other; they look upon each other as equals; as other individuals who have gone through the same experiences and faced the same problems, and have undoubtedly found some ways of solving problems that they themselves have encountered but not yet solved. I am not referring to product presentation, you understand.

If, therefore, under the proper direction, discussions and exchanges of experience can be brought into this personal development workshop, the effect is much greater than if fine, intellectual presentations are made by outsiders.

Do these workshops involve people of the same job level or do men of varying levels of sales management sit down together?

It is a combination of both. In a personal development workshop, we generally discard rank and levels of authority and responsibility. It is amazing how men accept that, after they have attended a personal development workshop and have discovered that everyone in it is sincere.

In this sort of training it is extremely valuable to get as much isolation as possible. One year we went out in the mountains west of Denver, back off the road a couple of miles. Men lived and worked together in this personal development approach like one big family.

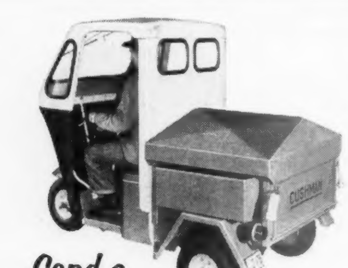
Men from different offices, different regions?

Men from throughout the United States, field men, office men, all kinds of men in marketing work. Because of the isolation we were able to conduct a lot of the work out in the open in small groups. There were no smoke-filled rooms, no long, tiring sessions, no haranguing, no brow beating.

The result was a healthy, wholesome, sincere upgrading of the individual, a great deal of it by the man himself through his exchange of experiences, ideas and cross counseling with his kind, under the careful direction and supervision of staff men properly trained themselves, but who keep themselves in the background.

For a change of pace—after our meeting in the mountains—we next met at Key Biscayne, Fla., where we were able to have buzz sessions and small group discussions out on the sand by the surf without distraction.

Is your personal development pro-



TOMORROW'S SALES

continued

gram strictly for sales people at Ray-O-Vac?

That's right. It's a marketing operation. Other departments have their own training programs.

Do you work on an incident basis where you take a specific problem and go at it from different angles?

Under proper direction and guidance, we discuss the proper approaches to various kinds of people. We reduce psychology to the working man's level and street language, and teach men how to recognize types of people, and how to deal with the individual types. Having taught them those things in presentation we get them into the discussion and then the experiences and incidents come into play.

These are men who are dealing with business customers?

In our case the salesmen are dealing with wholesalers, but what I am saying applies to sales people who deal with wholesalers, retailers and certainly the consumer.

What responsibility does the sales executive have in all of this?

Today's sales executive is being called a marketing executive more and more. We have shifted into a marketing management type of sales direction which calls for a marketing manager who participates in the over-all management of the business and who directs the organization's marketing on what I sometimes call a "conception to consumption" basis.

What does this mean?

The marketing manager needs either to direct or have an influential part in the conception of the product: the planning in advance for the product, the development, the basic engineering first of all, then the development, then the designing, then the packaging.

Then the marketing manager must devote a great deal of study of what the market needs and what the market can take, which then gets into inventory control. Until recently it was rare for inventory control to be a part of the marketing program. Today it is an extremely important part, and the reason is this: Until recently a fine product, properly engineered and produced under excellent quality control, which met a basic need among consumers, was pretty salable. The business could depend on that product continuing for a long time. Today we have shifted into a rapidly changing market. We have shifted from the individual attention we used to get at the retail level to the mass marketing concept of self-service. As a result, the marketing manager must be deeply concerned with realistic estimates and forecasts of what can be done. He must be sure that there is the right kind of inventory control which will result in his having the product in the market place at the time that it can be sold and not after.

We used to be able to build an inventory and then go out and sell it. Today's market profile calls for us to make what we sell. If we're going to do that, the people who sell it had better have control or a heavy influence over inventory or distribution of inventory.

So the marketing manager today gets into service, warehousing, distribution in all of its forms, the shipping of the goods, and the satisfying of the customers' wants and desires from the standpoint of service. In the final analysis it is likely to be service which ties you to your customer, so the marketing manager must give increasing attention to service. Then he must be concerned or have great influence in market studies, market analysis, the development of new market approaches, so that we don't overlook new ways to get product and service to the market. He must

Mr. McIlnay

then study ways of stimulating consumption of the product or the service so that it makes room for more. In one sense marketing is a process for creating dissatisfaction with products and services in order to put the user back into the market again.

The marketing manager must also become a real student of people because he is more in the people business than he has ever been. He must first do intensive study in the areas of human behavior, motivation and business economics. He must have a clear understanding of business economics, of burden absorption, of factory overheads, of break-even points, and the elements which go to make profits at certain levels.

Should the marketing executive be

more profit conscious than in the past?

That's right. When I mentioned "burden absorption" I was thinking of the need for the marketing man today to have a full understanding of the economics of the business, the volume of business necessary to absorb fixed overhead in the factory. He must also understand the effect of certain volumes of business on both fixed and variable overhead.

The old sales manager devoted himself to pepping up men and getting dollars' worth of business. His attitude was "Let somebody else in finance or production or engineering worry about whether we make any profit on it, I'll get the business."

Today it is the marketing man's job to make sure the marketing program is directed toward making a profit.

In the integrated marketing concept would the marketing executive have some influence or control of advertising and sales promotion?

Definitely. In today's marketing program, advertising, sales promotion and merchandising in all of its phases should under no circumstances be separated from the selling activity. When I say marketing management, I include product planning, personal selling, advertising, direct mail selling, market analysis, performance measurement, studies of stimulation of consumption of product and service; in fact, everything and anything that has any thing to do with the product or service from the time it leaves the production line until it is consumed.

Another important responsibility which is increasing greatly is the need for the sales executive to become better trained and prepared for his responsibilities through the training and development he himself can get out of organizations such as National Sales Executives, the American Marketing Association, the National Industrial Conference Board, National Association of Manufacturers' marketing committee, the U. S. Chamber of Commerce and local chambers of commerce and local sales executives' clubs.

I put so much emphasis on associations and organizations now because methods and techniques and market approaches are changing rapidly and marketing management needs to be abreast of those changes. Otherwise you risk losing your place in the market quicker than is imaginable.

There is one more responsibility of today's marketing man which needs some emphasis. For self-preservation we need to—and by "we,"

We need more salesmen. Their training should start in high school and college

I mean we who are in marketing management—devote more time and attention to youth, and find ways of acquainting young people with the opportunities of a career in selling or in some phase of marketing.

We need to encourage educators to provide the channels for training and developing youth so they can take advantage of a career in selling.

There are exceptions, of course, but by and large our educators are not yet fully aware of the changes that have taken place in selling, and the opportunities that exist. They are not providing ways for young men and young women to select marketing as a career.

About the best method for a young man or young woman to train for a career in marketing is to get all of the business administration and marketing courses possible in a commerce school, and then, if possible, to get in some psychology and follow the things which will give them preparation and training in the people business, but there ought to be specific courses for selling and for marketing.

At what level?

At all levels. It ought to begin to be emphasized in the high schools and very much so in the colleges and universities.

Have vocational advisers tended to think of selling as kind of a last-resort occupation?

That's exactly the case, and it is our own fault. We allowed vocational advisers and counselors to create the impression among youth that you ought to select one of the older, recognized professions, or a trade, or become a craftsman. "If you fail in that," they say, "you can always get a job with somebody as a salesman."

While I must confess that to a degree that may have been true some time in the past, most certainly it is not true today.

Is the emphasis that we are putting now on engineers and scientists going to tend to introduce another competitive factor?

It would seem so on the surface, but I wonder if we aren't reaching the point of a diminishing emphasis on production training and engineering. The furor around Sputnik has re-emphasized the need for technical training and engineers, but a tremendous crop of young people is coming along. The next few years will see unbelievable bulges in numbers of students in schools and colleges. That means that the supply is going to be adequate for engineers and for properly trained sales people. The important thing is to get the right training programs in force and get the young people conscious of the value of a career in marketing. We estimate that something like 4 million people are selling today. In the next five to 10 years the pressure of pent-up productive capacity and expanded engineering and development of products and services will call for another 500,000 to 1 million sales people.

These are new salesmen?

Over what we have now, else this new economy will slow down and get into a dangerous strait. We must get these people through the channels of education. We have always gone out in recruitment, or shall I say detection, recruitment and selection processes, and taken anyone with a fine personality who might be trained in product knowledge and decided we might make a salesman out of him. From now on many of these salesmen have to come out of the channels of education.

Is it likely that industry and business could find some of these sales-talented people in other departments?

I am sure that a good many individuals in production and in technical fields and also in financial work are capable of becoming fine salesmen, and I believe that we ought to carry on a more specific program for finding them. But my own experience leads me to believe that most of them are where they are because they chose to be there; that in spite of aptitudes for selling, unless they are tremendously encouraged, they really don't want to get into selling. They prefer production and technical fields and it is pretty hard to get them out, although I will never give up hoping we can find good material in that manner. **END**

REPRINTS *of "How to Make Tomorrow's Sales" may be obtained for 15 cents a copy or $10.15 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D.C. Please enclose remittance with order.*

OUTLOOK

continued from page 33

> Good management of debt helps the general economy

acceleration is required. We believe, also, that in view of the fact that we are managing a debt of $275 billion we ought to have some flexibility in handling our debt management problems.

For example, when we go to the market, as we have recently done, with a large offering involving both intermediate and long-term bonds, we believe that there should be a reasonable period during which the market is allowed to absorb and to distribute by secondary operations this kind of a debt offer. If, after making such an offer, we should have a large attrition—that is, people who have held earlier securities, and who for business reasons would want to be paid—then we may find it necessary to go back to the market in a short time to ask for cash. So that in effect we are competing with the offering that we have just put out on a longer term basis.

Therefore, in making our calculations under a tight debt ceiling we have to make an offering that minimizes attrition or we have to take into consideration the fact that if the market should better itself, between the time that we make the offering and the time that the securities are actually marketed, so that the attrition is less than we expect, then by accident we may have some of the debt overlapping, and we would be beyond the debt ceiling.

Do you anticipate returning to the present debt limit if a temporary increase is granted?

We have asked that the $5 billion increase be granted through fiscal 1959. At that time we would have to take a look at our fiscal position and at our debt management problems. I believe that it is in the best interest of the country for the Congress from time to time to examine the way in which we are handling our operations in the Treasury in the management of the debt. This is the sort of examination that will occur when we review our debt limit problems.

What are your plans for lengthening the maturity of the debt?

I would not want to be too detailed with reference to debt management plans, because during this year we are going to have to refinance about

> Where possible, current expenditure should be paid from current revenue

$50 billion of debt. This includes the amount that we recently went to the market for—$16.8 billion. In addition we will have to refinance about $22 billion in short term bills and arrange for redemption of about $3 billion in tax anticipation bills.

I believe, however, that it ought to be, and it is our objective to get the best balance that we can in the debt under conditions as they exist and to minimize the number of times that we have to go into the market either for cash or for refinancing. We realize that when we do go into the market, we may create problems for people who are financing private businesses, either corporate or individual; we may create problems for states, municipalities, and political subdivisions and other institutions that are going to the same market for their financing. So the extent to which we can improve the balance in our debt structure and minimize our trips to the market, I think, will serve the best interest of the public.

Is there any realistic basis at this time for businessmen to anticipate substantial tax cuts soon?

Fiscal policy, I believe, should always be judged in the context of the impact which it has on the total economy at any given period. One should not try to make dogmatic judgments on hypothetical situations. It seems to me that in periods of relatively high levels of production we should make every effort possible to pay our current expenditures with current revenues and not to add to an already burdensome debt.

On the other hand, I have expressed to the Congress the feeling that I can conceive of situations where the downward movements in an economy might be sufficiently deep and sufficiently protracted that some tax reduction should be considered in order to revitalize the economy. I do not believe that we are now at that point. I have confidence that the economy will reassert itself without that kind of action.

Are you satisfied with the effect of the actions that have been taken to stimulate the economy?

If one examines the adjustment that has occurred in interest rates and in the yields between stocks and bonds since Nov. 14, which was the date of the first reduction of the rediscount rate, I think he will find that it has been about as sharp a drop in interest rates as has occurred in recent times. This, I think, is indicative of a very rapid market adjustment to conditions.

There will always be some variation of opinions as to the kinds of things and the timing of things that ought to be done in an economic climate such as ours. There are even differences which exist in various geographical parts of our country, but by and large the most important things, it seems to me, are the basic confidence of our people and the demonstration of a willingness on the part of the agencies of the government to take whatever actions they in their best judgment believe are needed to help maintain an economy expanding and growing at a sustainable rate.

I am sure that this government would never sit idly by and watch either inflation or deflation run a ruinous course.

How do you feel about the practice of government lending money at a lower interest rate than government must pay to borrow?

As a general proposition it seems to me that the rate at which the government lends money ought to be at about what it costs the government, because government costs are borne by all of the taxpayers. I think, however, that one has to take into consideration whether there are other values that arise from the money which the government spends or provides, which outweigh the disadvantage of providing money at lower than the normal cost.

Can you tell us the present status of the activities of the Joint Federal-State Committee?

The Committee is still functioning. Before any program really becomes final, both the Congress and various state legislatures will have to take action with reference to those functions which will be assumed by the states. This will take some time because all of the legislatures do not meet each year, and each of the various governors will make his own decision about the program and the manner in which he wishes to present his program to his own legislature.

Is the Administration's interest in the objective of that committee still as strong as it was?

Yes, it continues strong because we believe in a vigorous federal-state system. We have a high regard for the duality between the states and the federal government.

What is the biggest obstacle to the achievement of the objective of the Committee?

Perhaps the most difficult problem grows from the fact that certain of the federal-state functions have grown up piecemeal over a long time. To take a specific example, the states are exceedingly interested in sharing to a more substantial degree in inheritance taxes. They feel that this is important not only from the standpoint of the revenues involved, but also because of the differences in laws relating to inheritance and property ownership between the various states. Yet the fact that we have had a system of federal estate taxation for a long period of time makes it exceedingly difficult now so to readjust the federal system that the combined federal and state taxes will be fair and not too complicated.

Do you feel there is an overdependence by states and communities upon federal money?

It seems to me that in years past there has been a readiness on the part of states to be dependent more and more upon the federal government. It seems to me that one of the important functions of the present Federal-State Action Committee is not only to take a look at what has been done, with the idea of restoring some functions to the states where they could be more economically and better administered by local authorities, but also to consider new programs in which there is involved a new federal-state relationship so as to avoid overdependence or overconcentration in the federal government.

Do you feel that the communities and the states could undertake much of the work that has been done by the federal government?

I think that the states and local communities have the capability and the potentiality. It is a question of ability to realign the responsibilities of the federal and the state governments. There is also the question of the redistribution of sources of revenue so as to enable the states to resume functions heretofore performed by the federal government. Most importantly, there must be willingness and a desire on the part of the people of the state and local governments to have the responsibility for these programs under a conviction that they would be better and perhaps more economically administered at local levels, rather than at the levels of the federal government. **END**

HOW TO LET GO OF AUTHORITY

Be sure of two things before undertaking decentralization

LEARNING HOW TO LET GO of authority is one of a manager's trickiest tasks.

That is the conclusion of management researchers and business leaders who have been taking a new look at the practical problems you encounter when you try to disperse decision-making powers widely and deeply through your company.

Their findings uphold previous beliefs about the importance of creating the proper climate for decentralization at every level of the organization—and suggest new ways in which this can be done.

But they also point to other steps that must be taken, before and after an actual transfer of authority, to insure smooth-working relationships. They emphasize that without proper preparation and follow-up, you may get, not delegation, but a haphazard abdication of executive responsibility.

Managers who have achieved successful delegation agree that there are two essential requirements—a philosophy and a plan.

The philosophy is willing acceptance of a calculated risk. If you cannot bear the thought that somebody may goof, you will never be able to give more than lip service to delegation.

H. E. Humphreys, Jr., president of U. S. Rubber and a leading exponent of decentralization, readily admits that an inexperienced subordinate who is "cut loose from close supervision" may "get his fingers burned."

"So, perhaps, will the company," says Humphreys. "But that is the risk we must take if we want combat-experienced executives."

General Electric's Ralph Cordiner believes that mistakes at lower echelons are a reasonable price to pay for the agility which an organization acquires when effective power is dispersed widely and deeply as it is in his company.

"The decision to place responsibility and authority closer to the scene of the problem," says Mr. Cordiner, "provides the organization with an ability to turn on a dime not possible with earlier centralized arrangements."

You may find these arguments only half-convincing. Many managers secretly entertain grave reservations about the wisdom of delegation, even though they publicly profess that it is a good idea. Before you go any further, sit down and think the whole issue through for yourself, not as an abstract question of management methodology, but in specific reference to your own company.

What is it costing you—in time, money and efficiency—to force all important decisions upward through your organization? Is this cost greater or less than the cost of the mistakes that would inevitably result from unshackling subordinate managers?

Are you developing responsible leadership at every level of operation under your present setup? Or are you running a bureaucracy in which the only smart thing to do is pass the buck up?

Careful consideration of these questions may bring

Better be autocratic than . . .

you to wholehearted acceptance of the calculated risk of delegation. If it doesn't, don't try to kid yourself.

Effective decentralization exists only where top management is honestly convinced of its value. It grows out of attitudes, not organizational charts. Until you are sold on the philosophy, don't meddle with the techniques. It is much better to run a frankly autocratic organization than to confuse everyone with empty gestures of delegation.

Sincere belief in the principle, though indispensable, is not by itself a guarantee that decentralization will work in your organization.

Like everything else in business, delegation calls for intelligent planning.

"The biggest booby trap you can fall into," says Nat Stewart, principal lecturer in organization at the American Management Association's Academy, "is to

begin passing out authority before goals are clear. This leads to chaos—not effective management."

A good first step is to centralize all decision-making power in one man—on paper. Pretend that your company or unit has only one manager. List everything he would have to do, all of the various types of decisions he would have to make—in financing, purchasing, production scheduling, sales, public relations and so on.

Rate these functions in terms of their relative importance to the total enterprise. Make a rough calculation of how much time is spent on each.

This procedure not only yields an inventory of the tasks which must be allocated; it serves as an excellent guide to the type of responsibilities which should be delegated.

Many executives who make this kind of analysis are shocked to find that they have been spending about 90 per cent of their time on functions which they rate as least important, and only 10 per cent on the truly vital decisions which are the proper province of top management.

Obviously the executive chores which are least important and most time-consuming should be handed down the ladder. But other factors should be taken into account in marking off areas of responsibility for delegation.

Problems that would otherwise rate high in importance may be turned over to a lower echelon when there are clearly established precedent solutions for them. Twenty years ago, the presidents of many big firms found it necessary to deal personally with the negotiation of labor-management contracts. The problems of collective bargaining were new and baffling. Today it takes an exceptional issue to justify raising this particular responsibility above the level of the vice president for industrial relations.

Another yardstick which several companies have used is the span of future time affected by a decision. To oversimplify the formula for purposes of illustration, you might say that top management deals with things that will matter 10 years from now; middle management worries about the coming year; and lower management wrestles with today's production, tomorrow's purchases, and next month's sales.

The boldest approach, advocated by William B. Given, board chairman of American Brake Shoe, is called "bottom-up management." All authority which is not expressly reserved to top management is considered to be delegated to lower management. Each individual is encouraged to reach out for as much authority as his capacity will permit him to exercise.

"There should be no organization chart, no carefully drawn lines of authority," says Mr. Given. "Drawing lines, itemizing duties, at once puts up possible barriers to initiative, limits the use of imagination or, even worse perhaps, suggests that security for the individual may lie in following a routine."

Few authorities would quarrel with Mr. Given's main thesis that delegation should always be in terms of broad responsibilities, rather than specific duties. But most executives probably will find that an organization chart is useful in avoiding two serious mistakes in delegation.

One is duplication of authority. A man who is nervous about delegation may be tempted to assign the same responsibility to two or three subordinates in an effort to make sure it gets done. This is an excellent way to make sure it does not get done.

At the other extreme is the danger of creating an organizational no-man's land in which important responsibilities are left floating around, unassigned, unclaimed and unperformed. The sum of the delegated parts must always add up to the total mission of the company or unit.

So far you have been thinking solely in terms of the powers that top management chooses to delegate. But in a practical business situation, there is usually a gulf between what you'd like to do, and what you can do.

The actual amount of decentralization that takes place in your organization ultimately will depend on the readiness of lower echelons to accept heavier responsibilities. Much has been written in recent years about the role that delegation plays in a good executive development program. Here is the other side of the coin. An organization must have budding management talent all along the line if it is to decentralize efficiently.

If you've neglected this problem in the past, you may have to do some recruiting and basic training before you can push your staff off the dock into the deep water of managerial responsibility.

Even if you have a large reservoir of potential managers, a good deal of discussion and psychological preparation is necessary to put a decentralization plan into effect. Top management should listen as well as talk during this process. A Pennsylvania manufacturing firm which had proudly announced a new delegation plan was surprised to learn, through an attitude survey, that its middle and lower managers were suspicious and hostile toward the whole idea. Extensive staff discussions at all levels were necessary to clear up the misunderstandings.

This experience is not uncommon. Any organization which has long been run from the top can expect to find a lot of passivity among its employes, even those who are nominally managers. They will be inclined to think of responsibility as "something I can

. . . risk empty gestures

Learn to let go

be blamed for" rather than an opportunity to grow. You can often overcome this attitude by having a man to man talk with each subordinate to whom you propose to delegate some of your authority. Ascertain whether the job you have mentally assigned to John Smith is one that John would like to do. Help him to see the opportunities it offers for growth and advancement.

Tell him that you expect him to make some mistakes, and that you prefer that he make them, and learn from them, rather than come running to you with every problem. Let him know that, while he can be forgiven for any number of different mistakes, you will not look kindly upon his making the same mistake twice.

When you have reached a good understanding with John, the authority which you have delegated to him should be widely advertised throughout the organization. "It is important not only that the individual know what he is supposed to do," says Prof. Harold Guetzkow of Northwestern University, "but also that everyone else know."

A capable man may shrink from exercising a newly conferred authority lest his colleagues tab him as an eager beaver.

Help him settle comfortably into the seat of power by calling the staff's attention, at every opportunity, to the responsibility which you have vested in him. Give him the status symbols which are necessary to enhance his prestige.

While all of these steps are necessary, they are only the beginning of the task of delegating responsibility to John Smith.

The really important questions about his relationship with you cannot be settled in a conversation or at a company ceremony, but only as a result of actual experience.

You can be sure, for example, that he will soon test the sincerity of your delegation by coming to you for advice. If the problem he brings you is clearly within the range of his delegated authority, make him decide it for himself.

If he does need your help, insist that he propose a solution, or alternative solutions. Use the situation as an opportunity for coaching, but let him see that you are depending on him to keep you out of trouble, rather than vice versa.

You've been told many times that you must not look over John's shoulder while he works out his problems. But neither can you afford to ignore him altogether. One extreme is as bad as the other.

Remember that your own superiors—or your directors and stockholders, if you are the chief executive—still hold you accountable for everything that is done in your company or unit. An executive can (indeed must) delegate authority, but he can never delegate his own responsibility. You can't pass the buck downwards.

It follows that you have not only the right but the duty to police the performance of your subordinate managers.

You can do this, without being unduly meddlesome, by applying the production man's concept of quality control through random sampling. Every now and then, check John Smith out on his handling of a problem. Did he show boldness and imagination in dealing with it? Did he examine all the angles or shoot from the hip?

If he approaches all or most of his problems in this fashion, is he likely to have a high batting average of right answers?

In this way you gain an insight into the man and his methods, which is a far more effective form of supervision than trying to post-audit every important decision that a subordinate makes.

The final stage of delegation arrives when you and Smith have worked together long enough to evolve—explicitly or by tacit understanding—three clear categories of decisions.

One is the type of decision on which you want to be *consulted* before any final action is taken. Ideally, there should be few of these. Some will involve matters of transcendent importance to the company's future. Others may involve relatively trivial problems which are touchy because they affect your relationships with the chairman of the board, or with a big customer.

At the next level are the decisions which John Smith makes himself, but which he is expected to report to you.

Finally, there is the broad area in which he operates entirely on his own, reporting results rather than decisions and actions.

The goal of delegation is to get all of your subordinates so well trained that about 90 per cent of their problems will fall into category three, nine per cent into category two, and only one per cent will come bouncing up to you for decision.

Then you will have time to put your feet on the desk, look out the window, and brood about 1968—which is your true executive function.

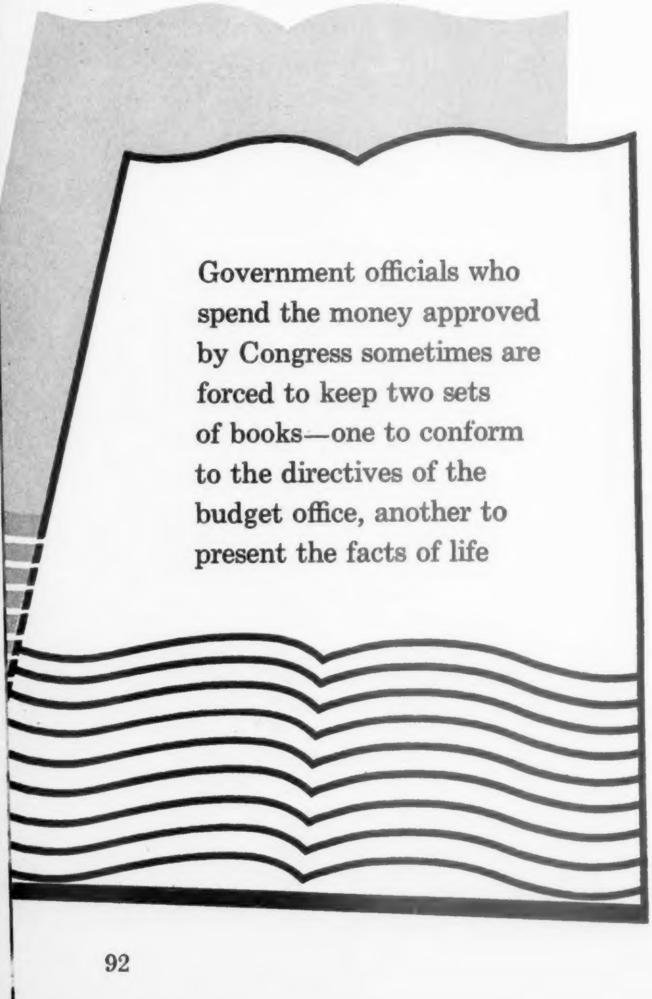
—LOUIS CASSELS & RAYMOND L. RANDALL

REPRINTS *of "How to Let Go of Authority" may be obtained for 10 cents a copy or $6.75 per 100 postpaid from Nation's Business, 1615 H St. N. W., Washington 6, D. C.*

Please enclose remittance with order.

U.S. budget method multiplies costs

Antiquated system makes big federal spending inevitable



Government officials who spend the money approved by Congress sometimes are forced to keep two sets of books—one to conform to the directives of the budget office, another to present the facts of life

EVERYONE IN GOVERNMENT, whether in the executive or legislative branch, whether Republican or Democrat, has his own idea on how big the U. S. budget should be. Last year most members of Congress were convinced it should be smaller than the $71.8 billion President Eisenhower asked for fiscal 1958. This year many legislators believe Sputnik may necessitate a still heftier budget than the $73.9 billion President Eisenhower is asking for fiscal 1959.

Actually, neither the Administration which draws up spending plans nor Congress which appropriates the money knows how much is needed because the federal budget system is out of control and won't regain its effectiveness unless it is overhauled.

It boils down to this: The federal budget system, despite all good intentions of the able people trying to run it, has not produced the desired results.

A look at how the budget is prepared will show why.

There are really two steps involved in today's budget making.

First is what should be called the planning budget. This is prepared by the departments and agencies under the guidance of the Bureau of the Budget. The President presents it to Congress each January.

Second is the operating budget. The departments and agencies prepare this after Congress has appropriated funds to carry out the various programs. Actually Congress authorizes the departments and agencies to write checks on the Treasury rather than appropriates money, but to the taxpayer the results are the same.

To have some uniformity in preparing the planning budget, the Bureau of the Budget, after consultation with the President, sends the department and agency heads the call for estimates.

This includes statements about the Administration's policy, the need for economy, use of manpower, level of expenditures and so forth. The department heads make these statements more specific. In the Department of Defense, for example, the Secretary and the Joint Chiefs of Staff would supplement this with more detailed guidance as to size and composition of the various military forces before sending it on to the secretaries of the three military establishments.

The three services spell out in even more detail the estimates for manpower, facilities and services and pass the call for estimates on to various subordinate commands and echelons scattered throughout the world. Usually each echelon adds more specific instructions to guide the preparation of its portion of the estimates.

Once the final guidance has been spread, every operating head and every staff officer tries to find the narrow path between what he would like to do and what he feels he can get. He has his guidance, his ambitions and his conscience to help him. He also has his expenditure records. These show what was spent rather than what should have been spent. He must have a sense of timing as to how his ambitions fit into the local and national situation. He knows that it is usually far easier not to spend all he gets than to get more than he requested.

This means that he must make allowance for as many variables as possible. He must allow for the peak loads and the unexpected. If he doesn't, it may cost him his job. After he has allowed for all his

mistakes, all of fate's mistakes and all of his superior's whims (he makes no mistakes) he must then allow for the cuts higher authority will make when it reviews his estimate.

Allowing for a five per cent cut at each echelon is a modest figure. The man five echelons down would, therefore, add 25 per cent.

This then is the budget estimate. It reflects the normal, healthy ambitions of a live, red-blooded, empire building American who is doing what he does for the good of the people, and can thus disclaim any ulterior motives when he asks for more money. Furthermore, he is under the protection of civil service and is not directly accountable to the taxpayer.

The Director of the Bureau of the Budget has said, in effect: If a man doesn't believe in and want to expand his program he shouldn't be charged with carrying it out.

This natural tendency to expand is not peculiar to the top level. It extends down to the lowest level where the budget estimates originate. Such estimates, made at the lowest level, providing for every mistake made in the past and every ambition of a maker who has nothing to fear from the citizens, then start back up the agency's official ladder. At each level of authority they are subject to revision and cutting.

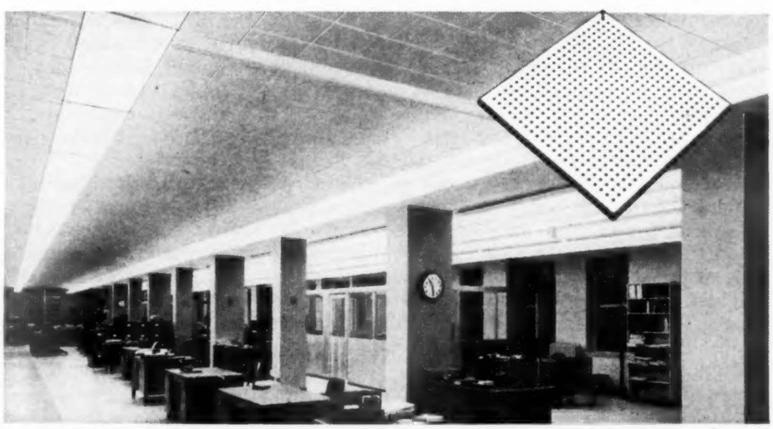
At each level, too, they accumulate additional data supporting its figures. Much of these data is meaningless because, in the main, the present system of accounting for expenditures does not provide the kind of figures that can readily be used in preparing a budget.

All of this accumulation finally reaches the head of the agency.

The sum total of requests inevitably exceeds the available money. In addition, much of the data is out of date and many of the conditions on which the original guidance was based have changed because all the paper shuffling has required months.

Faced with these impossibly large requests based on out-dated assumptions, the agency head's solution is frequently to throw out the old and start all over again. The only trouble is that he doesn't have the right kind of basic data to do the job properly so he makes his own allowances for mistakes and reductions and hopes everyone can live with the results. Usually they can, but time and money have been wasted that could have been spent profitably on a sound management system geared to meet the needs of today.

Starting all over again is not easy when the normal sharp pencil or trimming a bit here and there is not enough. It may involve a new set of



The budget is now so complicated that those who work on it become victims of the sheer size of the compilation

assumptions as to what will be accomplished. This could require presidential approval, particularly if national security were affected.

Decisions such as how many people will be needed, how much new equipment is to be bought, what new offices will be opened or old ones closed and the amount of travel that will be allowed are often difficult because one usually affects another. This is particularly true in the larger departments.

Theoretically, the entire staff should participate when this happens. The operating officials should develop a new set of objectives, the staff offices responsible for supply, procurement, warehousing, equipment maintenance, building operation, personnel and so on should help develop what will be needed to support the new program and it should then be costed and put into proper form for presentation to the Bureau of the Budget.

Too often time does not permit such a systematic approach. So the department budget people have no choice but to take over. They meet with the Bureau of the Budget and develop a new set of estimates. Figures as to the number of persons, the salary levels, the amount of money for travel, purchase of supplies and equipment and all the other details are quickly pulled together. This goes into the budget that the President sends up to the Congress each January. It represents a tremendous amount of effort but at best, and with rare exceptions, it is a compilation of informed opinion.

Once the budget information reaches the Bureau of the Budget, even in an acceptable, trimmed down form, a tremendous amount of work must be done. Budget examiners must condense masses of information into one volume, "The Budget." The data must be presented by department and by function. It is also added together by programs because many programs are carried out by several departments. Many departments are engaged in some form of defense activities and international affairs, to cite two instances. Figures must be totaled, cross added and verified.

At this stage major changes are almost impossible. The process is so involved, complicated and laborious that time will not permit much unraveling and reworking. In other words, the President must present and defend what has been developed even though at times he may appear to want to do otherwise. In one sense, he is the victim of the complex budget system that exists today.

The President presents the final figures, together with his Budget Message, to the Congress. These represent what the executive branch thinks should be done during the next fiscal year.

The President's Budget goes to the appropriations committees. There it is parceled out to various subcommittees that handle the requests of one or more departments and agencies. These subcommittees have a small group of professional staff members to review the request and organize the hearings where the department and agencies defend (in government a budget is defended, not explained or presented) their requests. In addition, representatives from the public or private industry may be heard.

After the hearings each subcommittee decides if the request of the agency is reasonable and what changes should be made. A report is prepared that sets forth any changes, with reasons therefor. Then an appropriation bill is prepared and reported out to the House.

Once it has passed the House it goes to the Senate where the process is repeated.

If the House appropriates one sum and then the Senate revises the figure the bill goes to conference. A special committee, with representatives from the House and Senate, meets to arrive at a compromise figure. They are limited to the maximum and minimum figures of the two bills as passed by the House and Senate. The conferees can take either figure or any point in between. Once they have agreed, the bills are reported out and usually are quickly passed and sent to the President. When he signs them they become law and represent the authority to spend money.

Before money can be appropriated there must be legislative authority for the program. This is where the Legislative Committees come into the picture. If, for example, the Civil Service System is to be broadened in coverage the Committee on Post Office and Civil Service would review and report on the proposed legislation. This would have to become law before money could be appropriated to administer the expanded program. This is a sort of double check system that was developed in Congress.

Recent legislation requires cost figures to be presented to the legislative committees. The purpose was to try to avoid having authorizing legislation passed with little or no knowledge of the cost involved. This would require the legislative committees to share, with the appropriations committees, some of the responsibility for imposing any new financial burden on the taxpayer. The law has not been in effect long enough to judge whether or not it will accomplish its purpose. After Congress appropriates the money and the President signs the bill it becomes law.

Next the operating budget comes into being by a process that reverses the pattern used to build up the original estimates.

In preparing the operating budget, the departmental officer works with the Bureau of the Budget and the budget officers in each bureau within his department. They compare what was asked for with what Congress gave them. Sometimes it is less, although it may be more.

As a result of these discussions, a financial plan is prepared setting forth the various purposes for which the money is to be spent. Then funds are allotted to the various subordinate bureaus. They in turn resubdivide and reallocate to their subordinate divisions and field offices. Authority to spend is passed down as the budget guidance was originally. Finally, everyone is notified and plans are prepared for either hiring or firing people, buying supplies and equipment and opening or closing offices, to carry out the approved program.

Too often the operating budget is purely a product of the budget office. As a result, operating officials who actually spend the money may be forced to keep two sets of books, one to conform to the directives of the budget office and another to present the facts of life. When this happens it means more duplication and unnecessary expense. It also indicates how unreal the present budget system can become.

Because of the complexities involved, this picture of the budget process is necessarily oversimplified. It is, however, essentially true and

depicts what usually happens in a majority of the departments and agencies.

The difficulty of presenting a complete picture is good argument for the need to modernize the system.

Today no one knows what it costs to prepare and administer an annual budget. Estimates have reached $1 billion a year but that is only a guess. One high budget official says they have not been able even to define the budget function much less to determine its costs. That was not a confession of incompetence; it was an honest appraisal of the present system.

Can anything be done about all of this? Of course.

What needs to be done is to apply the principles of production control that have fostered and built our dynamic economy, to the management of the federal government—to the entire government, not just a few isolated production lines here and there.

In the place of the old horseback guess based on historical records and rule of thumb, industry uses standard costs. These are not arbitrary but have been carefully worked out. They are based on good experience, tempered by judgment and engineered to fit the situation.

Both Congress and the executive branch need a system of standards that can be used for budget planning and program execution. These would be comparable to, but different from, those used in production control. A system of functional standards or criteria as advocated by the House Committee on Post Office and Civil Service would serve such a purpose. The major functions are budgeting, accounting, personnel, supply, maintenance, construction, land management, law enforcement, aircraft operation, and so on.

The functional standards would be developed by applying modern management engineering techniques somewhat along the lines that industry uses in the development of its standard work units. Budget costs would then be developed from standard data instead of historical expenditures. They would reflect what a program should cost instead of what someone would like to spend. As in industry, the standards could be applied to a proposed program, or work, to determine the cost.

Developing such standards would require studies of the manpower, materials, facilities and the services needed to perform the various major functions necessary to accomplish the different programs approved by Congress.

Once the data from such a system started becoming available, budget-

U. S. BUDGET

continued

ing and management techniques in general could be modernized.

Modern high speed computing methods would permit the planning budget to be prepared centrally in a short time.

The cost of installing such a system is difficult to estimate. Undoubtedly it will cost more in the initial stages. The developmental studies and new equipment will be costly. For a while the new and old systems will be in existence. Eventually the cost will be a fraction of what is spent today. Such has been the history in private industry where modern production control, backed by standard cost accounting has replaced personal opinion based on historical expenditure data.

There is every reason to believe that government would benefit from a lesson that was learned from having to make a profit in order to survive. The benefit would be in the form of improved service at a lower cost to the taxpayer.

—WELDON T. ELLIS, JR.

LABOR LAWS *continued from page 68*

If unions were not in the business of finance, temptations would be smaller

jointly by the union and a representative of the employer.

The Act provides only that those funds must be treated as trust funds. It does not require the trustees to disclose to the federal government what money they have collected or how it is disbursed. As a result there has been a good deal of embezzlement of such funds.

Even more widespread has been the practice of union trustees to disburse such funds by methods which benefit them indirectly.

How should this be corrected?

I would take unions out of the banking, insurance, and trust business altogether and limit unions in their negotiations with employers to bargaining with respect to the level of benefits. This would remove the temptation to use these funds for any purpose except to develop enough income to pay whatever benefits the union contract specifies.

A possible compromise would be for the legislation to be limited only to funds which are jointly administered. That is the only field where abuses have been disclosed. I would provide that such pension and welfare plans would have to be registered at the Security and Exchange Commission, which is familiar with registration accounts and the method of inspecting and auditing them.

The President's recommendations would give the Department of Labor that function, overlooking the fact that this Department has no background whatsoever in the accounting field. Even more seriously, the President's recommendations cover not only jointly administered funds, but also the thousands of funds which are unilaterally administered by corporations, banks, and insurance companies and which are already subject to regulation under the Internal Revenue Code and under state and insurance banking laws.

This would create such a terrific amount of paper work that the registration agency, whether it is in the Department of Labor or SEC, would virtually be smothered unless it employed some 14,000 persons.

When one speaks of employing 14,000 persons, that really is a tremendous bureau. The Labor Board, for example, has fewer than 1,500 employes and the Wage and Hour Division about the same number.

Should the internal operations of unions be regulated?

Generally I am not too much in favor of such legislation, although I recognize that some of these democracy-in-union bills have a great deal of popular support. In my opinion, it is better to have legislation which protects a worker's job rights rather than his standing in the union.

My feeling is that so many union locals are so big that their very size makes it difficult to attract many workers to union meetings. By and large, workers should have the right to check union abuses by having opportunities to vote, and by having the right to remain in or out of a union as they please. END

READY FOR UPTURN

continued from page 37

Planning ahead for financing may cut costs

Many corporations tend to concentrate their borrowing in times when interest rates are high. Net new corporate issues came to $7.9 billion in 1952, dropped to $5.9 billion in 1954, rose to $8.2 billion in 1956 and about $11 billion in 1957.

This practice of increasing borrowing as the cost rises may be less prevalent than it used to be. Long-range programing of capital requirements is becoming more common. But the idea of deliberately planning financing to take the best advantage of fluctuations in the costs of money is not as common as it might be.

This failure to buy money at the best rates contrasts with the efforts to buy goods at the best possible prices. We still tend to build plants after demand becomes insistent rather than scheduling them so that they will be ready when demand is booming.

Companies are learning to schedule capacity for extended periods ahead so as to be ready for anticipated demand. Financing, too, should be scheduled over several periods ahead, and the amount of long-term funds raised should be adjusted in the light of the cost of money, as well as in the light of the amounts of money that will be needed in the immediate future.

Equipment

Recession offers a particularly good opportunity to improve equipment, too.

Prices of machinery and equipment tend to go up in good times and come down more rapidly than some other items in periods of recession. But, like the demand for money, the demand for machinery and equipment tends to rise with a rise in price and fall with a fall in price.

At first glance the price for new machinery may seem high, particularly when its price is compared with the cost of equipment already in use. But, when the output of the new machinery is related to its price, it may be found to be less expensive than the machinery already in use. For instance, the wholesale price index of earth-moving equip-

In each recovery period consumers tend to seek out different types of purchases

ment, (1947-1949=100) was 163 for power cranes, drag lines, shovels and attachments, and about 159 for scrapers and graders in December, 1957. The actual cost to the Bureau of Public Roads for common excavation was lower in the fourth quarter of 1957 than it was during 1948. The efficiency of much new machinery has risen with the price. In some cases it has risen more, so that the cost of machinery per unit of output may be no more and, in some cases, less in current dollars than it was 10 years ago, and far less in constant dollars.

Management is accustomed to looking at the real cost of machinery and equipment in good times. But in periods of recession it tends to look at the current profit picture rather than the effect of expenditures on the profit account. Investment tends to be a function of current profits, rather than of the effect of the outlay on profits. Much capital has been wasted in boom times because it was easily available. Many opportunities are missed in slack times because the money is not as available from internal sources, even though it is available from external sources, and at low rates.

It may even be possible to let contracts in a recession that call for delivery a considerable time in advance. Such contracts might take account of the current reduced cash flow, and would not require the immediate advance of capital but would insure the availability of the more efficient equipment by the time it is needed, and at an appreciably lower cost, both in the number of original dollars and in the annual costs of those dollars, than could be obtained later.

Hiring practices

A recession also presents an opportunity to obtain the best talent available. Business learned in 1949 that it did not pay to lose good personnel even though temporarily this personnel was not utilized to the utmost. The cost of replacing good talent turned out to be greater than the savings resulting from cutting staff at slack times in key offices and shops.

The corollary has been learned less well. The time to get the best men does not coincide with the time of maximum employment. Graduates of many schools were able to choose between a half dozen or more companies in June 1956. The choices will be fewer in June 1958. The companies that go after trained men in the colleges, and that are constantly on the lookout for better than average skills elsewhere in 1958, may find themselves far ahead of the competition in 1959. It may be possible to get an excellent man for a given post in 1958 more easily than to try to lure him from another company for the same post in 1959. Other men in other posts might be hired for $15,000 in 1958 who could not be hired for $20,000, or at all in 1959. The best men may be available in 1958 for the prices that will have to be paid for second and third best in 1959. It may cost something to upgrade company manpower in 1958 but the yields may be really rewarding for many years to come.

Customers

A business slow-down also offers an opportunity for a reappraisal of the customer. This may be particularly important for firms producing goods and services for final customers.

Incomes and standards of living rise, and the relative importance of different goods and services changes during each recovery period. Customers were short of goods in 1949 but they had higher incomes and more bonds in the bank than they had had in any peacetime year in history. Almost anything attractive could be sold.

In 1954 incomes again were at an all-time peak. Per capita personal consumption in constant dollars was higher than in 1953, but the consumers' inventories of goods and services were much better than in 1949. So consumers could be more selective. Manufacturers and distributors had to do a better job. It was still important to most families, however, that they should have as many gadgets as their neighbors.

Good incomes are more or less commonplace in 1958. Families have been buying more and more goods and services for more than a decade. They are relatively well supplied with most of the things they think important. For the first time, customers are in a position to feel that

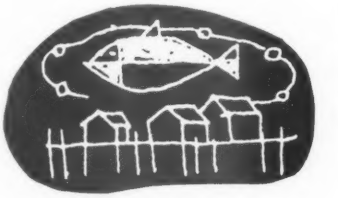
they can postpone purchases without affecting their standard of living and are willing to act on that belief.

The American family has experienced several important shifts in its basic values in recent years. One shift has been the trend toward working wives. This shift tends to reduce the emphasis on housing expenditures in the first five years or so of marriage. The wife is too busy for housework.

This is offset, of course, by the increased emphasis given to housing expenditures after the children come.

Another shift is the increased emphasis on family life and on the rearing of children. This has changed the pattern of expenditures, particularly of families headed by individuals from 30 to 45 years old. The pattern of expenditures and, therefore, of markets differs rather sharply between the young and the middle-aged families. That is becoming fairly well understood.

A third shift is toward acceptance of the fact that prosperity, with rather minor fluctuations, is here to



stay, and that each family is a part of this prosperity. This prosperity is not something that may pass in a year or two. It is not, therefore, something that must be enjoyed and flaunted while it lasts. It may not be as necessary for most families to keep up with the Joneses just to prove that they can do it. Families feel more and more that they can live as they want to, not as they are supposed to. A family can have a big, flashy car if it chooses, or two small cars or an old big car and a new small car. Community standing is no longer so sharply affected by such decisions.

Comfort, convenience and utility may be more important today than ostentation.

This acceptance that prosperity is here to stay may bring an important revolution in marketing methods. Consumers may be more conscious of specifications, just as industrial buyers are. This shift may be almost a subconscious one, and be difficult to appraise and even to understand. It may be even more important because of this.

—ROBINSON NEWCOMB

Executive Trends

Think about tomorrow's men

Despite easing of demand in recent months, industry's need for skilled executives is still high and may even become acute by 1960. This fact is confirmed by new manpower soundings, including Executrend, periodic barometer of executive job opportunities across the nation. Current demand has fallen most sharply in the aircraft-electronics engineering category—this despite the hullabaloo over America's need for technical people to match Russia's scientific performance.

What worries some authorities is the fact that in many companies men with broad skills—personnel, marketing, general administration—are not being cultivated in the depth necessary to insure against crippling shortages which could develop when the economy begins to move forward in high gear again.

▶ *In planning your future executive manpower needs don't overlook effects of aging, death, sickness and retirement. (Demand decline is most obvious in jobs below $15,000, less so in positions at $25,000 and more. Some "assistant to" jobs are being eliminated, and many marginal positions abolished.)*

Selling takes on new importance

Today's business climate has brought new problems—as well as opportunities—to the sales fraternity. The general sales manager of a large chemical company says his organization, like some others, is shifting its emphasis from recruiting of sales manpower to the sharpest possible use of the manpower it has on hand. This means improved sales planning, with stress on integration of advertising, promotion, and other sales-related functions. Because of region-by-region variants in its sales picture, the chemical company is attempting to develop special solutions to special, localized needs. Another marketing official, home after a 4,500-mile trip in which he visited salesmen, distributors and customers, says there is a perfectly fantastic shortage of sales people *of quality*.

▶ *Participants in a recent field sales management institute listed these as their 10 most important sales management problems: training, recruiting and selecting, motivating, planning—policy formulation, communications and reports, effective time use, getting new customers, morale, territory coverage, and problems arising from older salesmen.*

What leaders need

Dr. Joseph L. Krieger, business administration lecturer at The George Washington University, and consultant on executive leadership, surveyed more than 100 officials in business, education and public affairs. He sought their views on the critical elements in the

development of the ability to lead. At the head of the list were these qualities: natural leadership, intelligence, use of good judgment and the know-how to make decisions, initiative, ability to develop and motivate subordinates, analytical (or problem solving) skill, ability to build teamwork, emotional stability, and courage.

▶ *Dr. Krieger's research also indicates that there are five subjects which executives should study. These include: 1, management techniques; 2, personnel management; 3, executive development; 4, management analysis; 5, measurement and control devices for efficient management.*

What are you? Savage or statesman?

Checklist for how you regard other people lists seven key attitudes. Lawrence A. Appley, president, American Management Association, says individual executives will find them a useful yardstick. At the bottom of the list is savagery ("The other fellow is my enemy and has to be destroyed"). Next comes slavery ("The other fellow is to serve me for a consideration and ask no more"). Higher still—welfare ("The other fellow should be helped up when down, without too much concern for what got him down"). Next—paternalism ("The other fellow should be cared for and I will decide to what extent"). Moving higher—participation ("The other fellow has something to contribute to my efforts and can help me"). Next to the top—trusteeship ("That for which I am responsible is not mine. I am developing and administering it for the benefit of others"). Finally—statesmanship ("The other fellow is capable of being far more than he is, and it is my responsibility to help him to develop to his fullest potential").

▶ *The basic attitudes of companies is the subject of an exhaustive survey which another management training organization is making among 1,000 businesses. The study concentrates on codes of ethics—in corporate relations with customers, employes, others. The findings will be published soon.*

Management memos:

Is there a typical sales executive? Detroit Sales Executive Club polled its members, finds average is 45 years old, makes about $25,000 a year, has home worth $37,000, prefers fishing and music over golf. . . . Student at recent executive training seminar harrumphed over brainstorming. "With the kind of boss I've got," he said, "it starts out as brainstorming and ends up as brainstomping." . . . Michigan State University researchers peeked over shoulders of top business, government secretaries, found only 18 per cent thought stenographic skills were more important in their rise to top than general business understanding; most take spare-time study. . . . Changing language of management: "Psychic income"—that's one authority's definition of nonfinancial incentives, including a rug on the office floor, name on the door, and a parking space on the plant lot. . . . What does business want most in the business school graduate? Seventy-three North Carolina businessmen pondered this question, answered: 1, ability to think clearly and communicate with facility; 2, beginnings of maturity in judgment; 3, appreciation of the reasons underlying human behavior; 4, familiarity with arts, sciences and humanities; 5, a basic knowledge of economics. . . . Executive at recent meeting said, "When a shrub is dying you spray it from the top down—and when a company needs help it's the top executives who need to initiate action."

Make criticism work for you

Managers can improve their workers and company by following twelve basic rules

THE ABILITY to criticize effectively is one of the most important elements in good supervision. Employe attitude surveys indicate that good supervision is a major factor in employe work satisfaction.

The manager who refuses to criticize an employe (and many try to avoid the task because it is unpleasant) is shirking his responsibility to develop people and increase their productivity.

Effective criticism has two practical down-to-earth purposes: It helps the employe grow and develop by avoiding repetition of the same errors, and to reduce, over a period of time, his total errors; and it teaches the manager the aspect of his organization that may be leading to these errors in the first place.

Greater familiarity with why employes make mistakes will help the manager remember that no situation is isolated from past events and from past interrelations of people. No manager ever has a chance to start from the beginning. He is dealing with people who have been conditioned to him, and by him. Aspects of human relations which seem trivial to him may have important significance for the individual whom he finds it necessary to criticize.

Just as people differ, so do mistakes. Not all are of equal magnitude. The mistakes of the least serious kind may be handled best in a casual, informal manner. The manager must differentiate between the levels of error and be guided by the frequency of problems and the improvement in employe behavior.

It is unwise to create the feeling among the workers that a full-dress lecture will follow every error, no matter how small. Handling of the situation must vary, then, according to the kind of error and its implications, the particular worker, his background, previous behavior, ability to learn, his individual characteristics and the manager's own characteristics and skill.

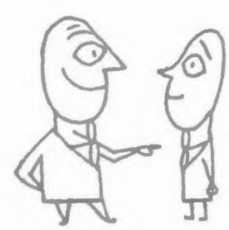
In spite of all these differences, some similarities in behavior patterns remain. Most people tend to react in similar fashion to certain situations. A few basic appeals arouse strong responses in most people.

For this reason, it is possible to draw some basic rules which, if used with a certain degree of understanding, make criticism successful. They are:

1. *Choose the right time and place.* Don't hold the discussion while you are still raging over the error. Give yourself time to regain your perspective and note whether your employe has realized his error and what steps he has taken on his own initiative to remedy the situation. You need privacy for your discussion.

2. *Make clear that your interest is in the employe,* in his succeeding on the job and becoming more valuable to the company and to himself. Show this interest in the beginning. Tell him—and be sincere—that what you have to say is in his best interest and therefore in the company's as well. This is a difficult thing to make the employe believe, but help him by your words, attitude and your subsequent actions. Make your criticism the basis for his improvement rather than a mark of failure.

3. *Explain the importance of the error.* Point out that if you took the easy way and ignored it, he would be liable to make it again when the consequences would be more severe. Make your criticism the first part of your willingness to be helpful to him.



Have him understand that without the criticism, you cannot help him avoid future errors.

4. *Criticize the act rather than the person.* At the same time recognize the complexity of forces responsible for his behavior.

5. *Lay the error on the line.* Vagueness cannot produce improvement. Leaving a man in the dark produces no enlightenment.

6. *Be specific about the remedy.* Better still, have your employe be specific about what he would suggest in retrospect as a correct way of handling the situation.

7. *Speak calmly.* Keep the discussion on the basis of two people working together to improve a situation. Recognize that your employe wants to be understood by you, his superior, instead of being judged. Use only friendly humor. Sarcasm

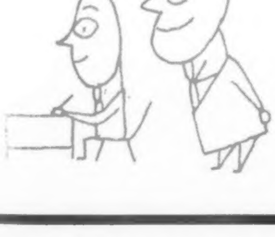
will only produce its self-defense reaction and prevent you from making the meeting constructive. Don't expect him immediately to see and understand the things the way you do. He differs from you in education, in experience, responsibility, skills, knowledge of business.

8. *Remember, the only people* who avoid mistakes are those who do nothing at all. Compliment him on, perhaps, his initiative, but show how and why an error was created. If you want initiative and resourcefulness in your organization, you must avoid penalties for an employe's going beyond the minimum or routine. So keep the discussion to a learning session that will maintain motivation while improving action.

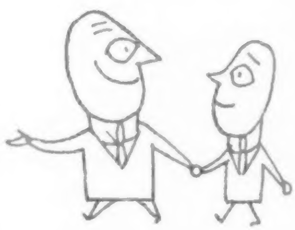
9. *Listen.* Give the employe full opportunity to speak and to ask questions. This will show you what he thought was right, what he is worried about, what other factors are preventing him from working at maximum efficiency. You can learn much more about your organization at this point than under almost any other circumstances.

10. *Make the employe's job meaningful.* Show him his importance to the organization and how his success adds to the over-all operation. Point out the costs to the organization of his not doing effective work. If the individual's job has no importance to him, the work on which he spends such a large portion of his life robs him of his dignity as an individual and creates an unhappy and unproductive worker.

11. *Follow up.* See that the agreed action actually takes place and that your employe has learned from the experience. Without the follow up, there can be no improvement in efficiency and productivity and the episode becomes a hypothetical exercise. Commend him for the improvement. Don't take for granted that he is aware you know and are pleased.



12. *Remember that you can frequently accomplish more* by indirection than by a frontal assault. Do not depend solely on logic, because behavior which makes no sense to you is usually an emotional rather than a logical reaction. Find



out why the employe feels he acted as he did and proceed from there. His feelings are the clue to his behavior.

All supervisors have the constant responsibility for the creation of a work atmosphere and a personal relationship which will encourage voluntary cooperation and teamwork. Cooperation cannot be coerced, but it can be built on the basis of sound practice of human relations. How effectively and constructively you criticize your employes, how well you let them know the quality of their work performance, how you help them become better workers, are measures of your success as a manager.

In criticizing, as in other aspects of management, the higher the over-all quality of supervision, the less the occasion for criticism. An employe carefully selected and well trained will make fewer mistakes, but in every dynamic and successful organization there will be mistakes, and the need to criticize employes.

Dr. NATHAN A. BAILY, *Dean*
School of Business Administration
The American University

REPRINTS *of "Make Criticism Work for You" may be obtained for 10 cents a copy or $6.75 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D. C. Please enclose remittance.*

Send us your

new address . . .

. . . at least 30 days ahead of time. Then Nation's Business will come to your properly addressed and without interruption.

A simple way to do it: just tear the address label off this magazine and send it with your new address and postal zone to . . .

Nation's Business
1615 H Street, N.W.
Washington 6, D.C.

ADVERTISERS IN THIS ISSUE · March 1958

PAGE

Acco Products, Inc. 82
La Porte & Austin, New York

Aetna Life Affiliated Companies...... 58
Wm. B. Remington, Springfield

Air Express, Division of Railway Express Agency.......... 11
Burke Dowling Adams, New York

American Credit Indemnity Company.. 57
Van Sant, Dugdale, Baltimore

American Telephone & Telegraph Co. (LL).............. 1
N. W. Ayer, Philadelphia

American Telephone & Telegraph Co. (Inf.)............ 48
Cunningham & Walsh, New York

American Telephone & Telegraph Co. (Inf.)............105
N. W. Ayer, Philadelphia

American Warehousemen's Association. 73
Matson, Marquette & Soash, Minneapolis

Armco Drainage & Metal Products, Inc. 75
N. W. Ayer, Philadelphia

Bankers Box Company............. 99
Frank C. Jacobi, Chicago

Bay West Paper Company........... 78
Klau-Van Pietersom-Dunlap, Milwaukee

Berens, Frederick W., Sales, Inc. 99
Kal, Ehrlich & Merrick, Washington

Blue Cross-Blue Shield Commission..60, 61
J. Walter Thompson, Chicago

Burroughs Corp. 67
Campbell-Ewald, Detroit

Butler Manufacturing Company...... 22
Aubrey, Finlay, Marley & Hodgson, Chicago

Cast Iron Pipe Research Association... 6
H. B. Humphrey, Alley & Richards, New York

Chamber of Commerce of the U. S...90, 91
Direct

Chamber of Commerce of the U. S. 95
Gray & Rogers, Philadelphia

Chicago, Rock Island & Pacific Railway 66
Caples Company, Chicago

Cole Steel Equipment Company, Inc. 16, 17
Webb Associates, New York

Cook, Wayne, Associates, Inc. 99
Auld Advertising, Dallas

Cushman Motor Works............. 80
Ayres & Swanson, Lincoln

Dodge, F. W., Corporation........... 81
G. M. Basford, New York

Dow, Jones & Company, Inc. 80
Batten, Barton, Durstine & Osborn, New York

Eastern Express, Inc. 96
Kuttner & Kuttner, Chicago

Eastman Kodak Co. (Verifax)........ 45
J. Walter Thompson, New York

Eaton Paper Corporation..........12, 97
Anderson & Cairns, New York

Electric Storage Battery Co. (Exide Industrial Div.)...........100
Gray & Rogers, Philadelphia

Eshelman Company 104
Azrael Advertising, Baltimore

Executone, Inc. 10
Joseph Katz, New York

Farquhar, A. B., Division of Oliver Corp. 64
Foltz-Wessinger, Lancaster

Ford Motor Company (Truck Div.)..14, 15
J. Walter Thompson, Detroit

Frick Company, Inc. 12
Waynesboro Advertising, Waynesboro

Friden Calculating Machine Company.. 89
J. Walter Thompson, San Francisco

General Electric Company (Apparatus & Sales Div.).......... 21
G. M. Basford, New York

General Electric Company (Lamp Div.) 49
Batten, Barton, Durstine & Osborn, Cleveland

Georgia Power Company........... 46
Lowe & Stevens, Atlanta

Graphic Systems 84
Diener & Dorskind, New York

Hartford Fire Insurance Company Group 65
Marschalk & Pratt, New York

Imperial Desk Company............ 98
Hathaway Advertising Agency & General Advertising Associates, Evansville

Insurance Company of North America.. 55
N. W. Ayer, Philadelphia

International Harvester Co. 4, 5
Young & Rubicam, Chicago

International Harvester Co. 53
Aubrey, Finlay Marley & Hodgson, Chicago

Kentile, Inc. 18
Benton & Bowles, New York

Kiplinger Washington Agency........ 97
Albert Frank-Guenther Law, New York

Lincoln National Life Insurance Company 26
Maxon, Inc., Detroit

Listo Pencil Corporation............ 74
Cunningham & Walsh, San Francisco

Marsh Stencil Machine Company...... 98
H. George Bloch, St. Louis

Marsh Wall Products, Inc. 83
Howard Swink, Marion

Master Mechanic Manufacturing Company 104
Airman Advertising, Burlington

Milwaukee Dustless Brush Company... 96
Al Herr, Milwaukee

Monroe Calculating Machine Company. 13
L. H. Hartman, New York

Morris, Bert M., Company........... 68
Edward S. Kellogg, Los Angeles

National Gypsum Company.......... 93
Batten, Barton, Durstine & Osborn, New York

New York Life Insurance Company.... 50
Compton Advertising, New York

New York Stock Exchange........ .. 62
Calkins & Holden, New York

Old Town Corporation.............. 84
La Porte & Austin, New York

Onan, D. W., & Sons, Inc. 74
Graves and Associates, Minneapolis

Pitney-Bowes, Inc. ......19, 85, 3rd cover
L. E. McGivena, New York

Quantity Photos, Inc. 74
Sylvan Pasternak, Hollywood

Recordak Corporation 69
J. Walter Thompson, New York

Remington Rand 51
Paris & Peart, New York

Reznor Manufacturing Company...... 82
Kight Advertising, Columbus

Scott Paper Company.............. 47
Ketchum, MacLeod & Grove, Pittsburgh

Shaw-Barton, Inc. 78
Bayless-Kerr, Cleveland

Smith-Corona, Inc. 25, 103
Cunningham & Walsh, New York

Studebaker-Packard Corp. (Truck Div.) 79
Burke Dowling Adams, New York

Sylvania Electric Products, Inc. 63
J. Walter Thompson, New York

Texas Company 30
G. M. Basford, New York

Travelers Insurance Company........ 29
Young & Rubicam, New York

Tropical Paint Company............ 77
Fred M. Randall, Detroit

United States Gypsum Company...... 76
Fulton, Morrissey, Chicago

Vari-Typer Corporation 101
Bruce Angus, New York

Wellington Sears Company.......... 20
Ellington & Company, New York

Western Union Telegraph Company, Inc. 59
Benton & Bowles, New York

Wisconsin Alumni Research Foundation 104
Arthur Towell, Madison

Wollensak Optical Company.....4th cover
Jones Frankel, Chicago

Wood Office Furniture Institute..2nd cover
Henry J. Kaufman, Washington

LET'S WORRY ABOUT THE RIGHT THINGS

IF OUR GOVERNMENT'S efficiency in spending money ever matches its efficiency in thinking up ways to spend it, we will have nothing to fear from Russia or anybody else—including the government.

Our current national humiliation shows how inept we are at the first, and how skillful at the second.

Not long ago we were happily anticipating a sensible overhaul of our crazy-quilt federal tax system and such genuine efforts at governmental economy as a reasonable budget might require.

Then the Russians put Sputnik in orbit. The Vanguard with which the Navy attempted to parry this psychological thrust, blew up all over the world's front pages.

In the light of that explosion all our national shortcomings were magnified:

We listened to those who assured us that our defenses were impotent; our schools were decadent; our science elementary; our technology second-rate.

In the synthetic hysteria that followed, spending schemes ranging from the extravagant to the ridiculous were proposed as cures and seemed to have a fair chance of acceptance.

Then the Army took Explorer out of mothballs and pitched it aloft to join Sputnik.

Since Explorer is a jerry-rigged adaptation of Jupiter C which the Pentagon had ordered held up four years before, this exploit indicated that we were less far behind Russia than we had been led to believe. We may, conceivably, in some fields be ahead.

The psychological victory of being first is still lost. The need remains to push ahead where we may still be behind, but it should now be possible to take more than a panic look at spending programs conceived in an orgy of self-abasement.

With such programs removed, or brought into bounds, the budget might be balanced and tax revision be possible.

It will take a bit of doing to bring about so logical a program. Explorer, by a quaint quirk of reasoning, has become an argument against tax reduction.

"If a tax cut follows the successful launching of a satellite," we are told, "the public will lose its sense of urgency."

This seems to be a way of saying that, though we may doubt our present ability to frighten anyone else, we've got to keep the American people worried.

It seems also to underestimate the American people's capacity for worry. Even while they rejoice over a justified tax revision, the people can still worry about the kind of rivalry, indecision, lack of imagination and bad judgment that delayed launching of the Explorer. They will have a right to worry about that until reorganization in the Defense Department and elsewhere assures efficient use of manpower, materials and the billions of dollars that government spends every year.

Nation's Business • March 1958

Glamour job? Baloney!

"Your big break, they said. New small outfit, going places. You'll work with Mr. Big himself. Stimulating! Meet interesting people . . . But nobody told me I'd get stuck with the mail every night . . . Licking and sticking itsy bitsy stamps and envelope flaps. Utterly medieval! Tomorrow Mr. B gets a postage meter—or a new girl" . . .

Get a postage meter—and you get rid of stamps and lick-and-stick mailing. Print postage as you need it, for any kind or class of mail. You always have the right stamp on hand. Mail fast and easy, save time and postage. And your *metered* mail needs less handling in the postoffice, often catches earlier trains and planes!

Today, *any* office can have a postage meter and the prestige of metered mail—with the little DM, desk model. One user in three spends less than $1 a day for postage! Electric models for larger mailers. Call the nearest PB office. Or write for free illustrated booklet.

A postage meter . . .

seals as well as stamps envelopes; most models stamp and seal simultaneously.

- Protects postage from loss, damage, misuse. Does its own accounting. And saves trips to the postoffice.
- Provides *parcel* postage on special gummed tape, with a *dated* postmark.
- Prints your own postmark ad with the meter stamp, if you like.
- Requires no minimum mail volume; anyone can easily use a postage meter!

FREE: *Handy desk or wall chart of postal rates with parcel post map and zone finder.*

PITNEY-BOWES

Postage Meter

Made by the leading manufacturer of mailing machines . . . Offices in 107 cities. In Canada: Pitney-Bowes of Canada, Ltd., Dept. 355, 1156 Bay St., Toronto

To: Pitney-Bowes
1355 Pacific St.
Stamford, Conn.

Send free ☐ *booklet,* ☐ *Postal Rate Chart to:*

Name ____________________

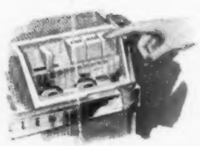
Address ____________________

Presenting . . . the new lightweight champion!

WOLLENSAK "1500"

HI-FIDELITY DUAL-SPEED TAPE RECORDER

DISTINGUISHED APPEARANCE! Superbly elegant when open or closed. Handsome, modern styling in rich satin-chrome and off-white harmonizes with every decor.



EASY OPERATION! Simplified key-board controls. Handy, strikingly beautiful operating panel provides the utmost in operating ease.

ULTRA-POWERFUL! 10 watts push-pull audio output—four times greater than larger, less portable recorders. Ideal for auditorium use.

CONSOLE PERFORMANCE! Frequency response: 40-15,000 cps. ± 3 db. at 7½ i.p.s.; 40-7500 cps. ± 3 db. at 3¾ i.p.s.; WOW and flutter less than 0.3%.

THE most magnificent, lightweight and compact tape recorder available—achieved with top-quality miniaturized components and all-metal airplane type construction. Measuring only 6½"x10¼"x11¾" and weighing a scant **20** lbs., it accepts 7" reels with playing time of three hours using long-play tape. Provides finest "Balanced-Tone" high fidelity with enough power to accommodate LARGE auditorium speakers. In addition to the outstanding features illustrated here, it includes: tape speeds of 3.75 and 7.5 i.p.s.; exclusive high speed rewind lever . . . two-level recording indicator . . . precision index counter; streamlined retractable handle and a host of other advantages. Complete with microphone, reels (one with tape) and cords. **$199.50**

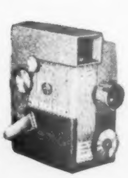
Collapsible Slip-Over Traveling Cover with pocket for reels, cords, $7.50

FREE DEMONSTRATION—Your authorized Wollensak Dealer will be glad to show you the "1500" and other fine WOLLENSAK Cameras and Projectors. See him now!

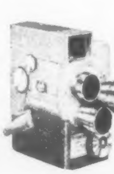
WOLLENSAK OPTICAL CO. · CHICAGO 16, ILL.

WORLD RENOWNED FOR FINE OPTICAL EQUIPMENT SINCE 1899

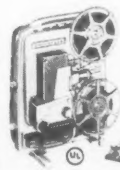
"42-D" 8MM MOVIE CAMERA — 13mm f/1.8 Lens. Built-in filter dial system; "Weather-Eye" exposure dial; 5 speeds; film-spool load; "Picture-Window" view-finder. F.E.T. inc. . . **$69.50**



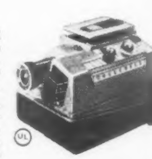
"43-D" 8MM TURRET MOVIE CAMERA — Same features as "42" with sensational 13mm f/1.8 3-lens system turret for normal, wide-angle and telephoto shots. F.E.T. inc. **$99.50**



"715" 8MM MOVIE PROJECTOR— Push button controls; forward, reverse and still; AC/DC; rheostat; removable splicer; 500-750 watts; three 400-ft. reels, case **$162.50**



"815" 2x2 SLIDE PROJECTOR— Shows 35mm, bantam or 1½"x1½" slides automatically! 5" F/3.5 lens. Case, extra condenser lens, cord and 7 magazine trays **$149.50**



n!

corder
-metal
ighing
g long-
power
nding
s.; ex-
ecision
dvan-
199.50

o show
n now!

LL.

99